

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
AUTHORIZED AND OUTSTANDING
LONG-TERM DEBT, CAPITAL STOCK, AND SHORT-TERM DEBT
as of March 31, 2013

Long-Term Debt Outstanding:

Series A, Auction Rate Tax-Exempt PCRB, due 2021	\$ 89,250,000
Series B, 4.75% Fixed Tax-Exempt PCRB, due 2021	89,250,000
Series C, 5.45% Fixed Tax-Exempt PCRB, due 2021*	108,985,000
Series L, 5.25% FMB, due 2014	50,000,000
Series M, 5.60% FMB, due 2035	50,000,000
Series N, 6.15% FMB, due 2017	70,000,000
Series O, 6.00% FMB, due 2018	110,000,000
Series P, 4.50% FMB, due 2019	150,000,000
Series Q, 4.05% FMB, due 2021	122,000,000
Series R, 3.20% FMB, due 2021	<u>160,000,000</u>
	999,485,000
Less: Due within one year	<u>108,985,000</u>
Total Long-Term Debt Outstanding	<u><u>\$ 890,500,000</u></u>

Capital Stock:

Preferred Stock	\$ -
Common Stock (\$1 Par (301 shares outstanding))	<u>301</u>
Total Capital Stock**	<u><u>\$ 301</u></u>

Total Short-Term Debt Outstanding **\$ 53,400,000**

* Redeemed on May 1, 2013

** Excludes Retained Earnings, Capital Surplus, Paid In, and Accumulated Other Comprehensive Income

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ESTIMATED ISSUANCE COSTS FOR NEW LONG-TERM DEBT

Total Issue Amount		<u>\$ 315,000,000</u>
Issuance Costs:		
Underwriting ¹		\$ 2,756,250
Moody's	\$ 141,750	
Fitch	\$ 126,000	
S&P	<u>\$ 149,275</u>	
Total Rating Agencies		\$ 417,025
Legal		\$ 59,000
Miscellaneous ²		<u>\$ 86,466</u>
Total Issuance Costs		<u>\$ 3,318,741</u>
Available funds after issuance costs		<u>\$ 311,681,259</u>

1. Underwriting fees are based upon an anticipated 0.875% commission for a thirty-year debt issuance.
2. Miscellaneous includes fees for registering the proposed debt with the Securities and Exchange Commission, printing, external auditors and up-front trustee acceptance fees.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ESTIMATED ISSUANCE COSTS FOR REFINANCING THE 2001 SERIES B PCRBS

Total Issue Amount		\$ 89,250,000
Issuance Costs:		
Underwriting ¹		\$ 557,813
Moody's	\$ 82,500	
Fitch	\$ 35,700	
S&P	<u>\$ 88,500</u>	
Total Rating Agencies		\$ 206,700
Legal		\$ 59,000
Miscellaneous ²		<u>\$ 55,674</u>
Total Issuance Costs		<u>\$ 879,187</u>

1. Underwriting fees are based upon an anticipated 0.625% commission for a eight-year debt issuance.
2. Miscellaneous includes fees for registering the proposed debt with the Securities and Exchange Commission, printing, external auditors and up-front trustee acceptance fees.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET - ASSETS
AS OF MARCH 31, 2013
(UNAUDITED)
(THOUSANDS OF DOLLARS)

ASSETS	<u>Per Book</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Giving Effect to Adjustments</u>
Current Assets:			
Cash	\$ 3,376	\$ (2,664) a,b,c,i,m	\$ 712
Receivables, Net	86,225		86,225
Accounts Receivable from Affiliated Companies	7,568		7,568
Unbilled Revenues	39,062		39,062
Taxes Receivable	2,020	2,844 b,d,f,g,i,k,l,m	4,864
Fuel, Materials and Supplies	94,783		94,783
Regulatory Assets	62,184		62,184
Prepayments and Other Current Assets	8,127		8,127
Total Current Assets	<u>303,345</u>	<u>180</u>	<u>303,525</u>
Property, Plant and Equipment, Net	<u>2,360,753</u>	<u>99,296</u> c	<u>2,460,049</u>
Deferred Debits and Other Assets:			
Regulatory Assets	329,314		329,314
Other Long-Term Assets	82,284	5,539 b,e,i,j,m,n	87,823
Total Deferred Debits and Other Assets	<u>411,598</u>	<u>5,539</u>	<u>417,137</u>
Total Assets	<u>\$ 3,075,696</u>	<u>\$ 105,015</u>	<u>\$ 3,180,711</u>

Note: Cash transactions to the payment of interest on new and repaid debt are not reflected in the pro formas above.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET - LIABILITIES AND CAPITALIZATION
AS OF MARCH 31, 2013
(UNAUDITED)
(THOUSANDS OF DOLLARS)

LIABILITIES AND CAPITALIZATION	<u>Per Book</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Giving Effect to Adjustments</u>
Current Liabilities:			
Notes Payable to Banks	\$ -		\$ -
Notes Payable to Affiliated Companies	53,400	\$ (53,400) a	-
Long Term Debt - Current Portion	108,985	(108,985) a	-
Accounts Payable	64,619		64,619
Accounts Payable to Affiliated Companies	12,624	-	12,624
Accrued Interest	13,840	1,128 d,f,g,k,l	14,968
Regulatory Liabilities	18,132		18,132
Other	65,887		65,887
Total Current Liabilities	<u>337,487</u>	<u>(161,257)</u>	<u>176,230</u>
Rate Reduction Bonds	<u>14,974</u>		<u>14,974</u>
Deferred Credits and Other Liabilities:			
Accumulated Deferred Income Taxes	449,979	2,217 b,e,i,j,m,n	452,196
Regulatory Liabilities	52,473		52,473
Accrued Pension, SERP and PBOP	186,836		186,836
Other	45,972		45,972
Total Deferred Credits and Other Liabilities	<u>735,260</u>	<u>2,217</u>	<u>737,477</u>
Capitalization:			
Long-Term Debt	<u>888,999</u>	<u>265,000 a,h</u>	<u>1,153,999</u>
Common Stockholder's Equity:			
Common Stock	-		-
Capital Surplus, Paid In	701,241		701,241
Retained Earnings	407,113	(945) IS	406,168
Accumulated Other Comprehensive Loss	(9,378)		(9,378)
Common Stockholder's Equity	<u>1,098,976</u>	<u>(945)</u>	<u>1,098,031</u>
Total Capitalization	<u>1,987,975</u>	<u>264,055</u>	<u>2,252,030</u>
Total Liabilities and Capitalization	<u>\$ 3,075,696</u>	<u>\$ 105,015</u>	<u>\$ 3,180,711</u>

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
 PRO FORMA CONSOLIDATED STATEMENT OF RETAINED EARNINGS
 AS OF MARCH 31, 2013
 (UNAUDITED)
 (THOUSANDS OF DOLLARS)

	<u>Per Book</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Giving Effect to Adjustments</u>
Balance as of March 31, 2012	\$ 367,281	\$ -	\$ 367,281
Net income	104,616	(945)	103,671
Dividends on common stock	(64,784)	-	(64,784)
Balance as of March 31, 2013	<u>\$ 407,113</u>	<u>\$ (945)</u>	<u>\$ 406,168</u>

For the 12 months ended March 31, 2013

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
PRO FORMA ADJUSTMENTS TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2013
(THOUSANDS OF DOLLARS)

	<u>Debit</u>	<u>Credit</u>	
a) Cash	\$102,615		Issuance amount less notes payable and payment of long-term debt
Notes payable to affiliated companies	53,400		Repay short-term debt
Long-term debt current portion	108,985		Redeem Series C PCRBs
Long-term debt	50,000		Redeem Series L FMBs
Long-term debt		315,000	issuance

To record the issuance of long-term debt and apply issuance to the repayment of short-term debt and long-term debt, with the remainder as cash received.

b) Deferred debits and other assets - other (189)	3,319		Issuance costs
Taxes receivable at 40%	1,328		Issuance costs time effective tax rate
Cash		3,319	Issuance costs
Accumulated deferred income taxes BS		1,328	Issuance costs time effective tax rate

To record deferral of issuance expenses associated with the issuance of long-term debt and related income taxes at 40%.

c) CWIP (107)	\$99,296		remainder of proceeds to plant
Cash		99,296	remainder of proceeds to plant

Remainder of cash is used for plant

d) Interest on long-term debt (427)	12,191		issuance times new rate
Taxes receivable	4,876		Interest times effective tax rate
Accrued interest (237)		12,191	issuance times new rate
Income tax expense (409)		4,876	Interest times effective tax rate

To record increase in interest expense associated with long-term debt issued and related income taxes at 40%.

e) Interest long term debt (428)	111		issuance cost divided by years on note
Accumulated deferred income taxes BS	44		issuance cost divided by years on note times effective tax rate
Deferred debits and other assets - other (189)		111	issuance cost divided by years on note
Income tax expense (409)		44	issuance cost divided by years on note times effective tax rate

To record 12 months of amortization of issuance expenses associated with the issuance of long-term debt and related income taxes at 40%.

f) Accrued interest (237)	187		Notes Payable times effective rate
Income tax expense (409)	75		Accrued interest times effective tax rate
Other interest (430)		187	Notes Payable times effective rate
Taxes receivable at 40%		75	Accrued interest times effective tax rate

To record decrease in interest expense associated with the repayment of short-term borrowings and related income taxes at 40%.

g) Accrued interest (237)	8,565		Accrued interest
Income tax expense (409)	3,426		Accrued interest times effective tax rate
Interest on long-term debt (428)		8,565	Interest on long-term debt
Taxes receivable at 40%		3,426	Accrued interest times effective tax rate

To record decrease in interest expense associated with the repayment of long-term borrowings and related income taxes (($\$108.985M \times 5.45\%$)+($\$50M \times 5.25\%$)).

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE FERC
PRO FORMA ADJUSTMENTS TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2013
(THOUSANDS OF DOLLARS)

	<u>Debit</u>	<u>Credit</u>	
h) Long-term debt	89,250		redeem Series B PCRBs
Long-term debt		89,250	issuance of new PCRBs
Principal amount of long-term debt to be refinanced			
i) Deferred debits and other assets - other (189)	879		Issuance costs
Taxes receivable at 40%	352		Issuance costs time effective tax rate
Cash		879	Issuance costs
Accumulated deferred income taxes BS		352	Issuance costs time effective tax rate
To record deferral of issuance expenses associated with the refinancing of long-term debt and related income taxes at 40%.			
j) Interest long term debt (428)	110		issuance cost divided by years on note
Accumulated deferred income taxes BS	44		issuance cost divided by years on note times effective tax rate
Deferred debits and other assets - other (189)		110	issuance cost divided by years on note
Income tax expense (409)		44	issuance cost divided by years on note times effective tax rate
To record 12 months of amortization of issuance expenses associated with the refinancing of long-term debt and related income taxes at 40%.			
k) Interest on long-term debt (427)	1,928		issuance times new rate
Taxes receivable at 40%	771		Interest times effective tax rate
Accrued interest (237)		1,928	issuance times new rate
Income tax expense (409)		771	Interest times effective tax rate
To record increase in interest expense associated with long-term debt issued and related income taxes at 40%.			
l) Accrued interest (237)	4,239		retired debt times old rate
Income tax expense (409)	1,696		Interest times effective tax rate
Interest on long-term debt (427)		4,239	retired debt times old rate
Taxes receivable at 40%		1,696	Interest times effective tax rate
To record decrease in interest expense associated with long-term debt retired and related income taxes at 40%.			
m) Deferred debits and other assets - other (189)	1,785		Issuance costs
Taxes receivable at 40%	714		Issuance costs time effective tax rate
Cash		1,785	Issuance costs
Accumulated deferred income taxes BS		714	Issuance costs time effective tax rate
To record deferral of call premium associated with the refinancing of long-term debt and related income taxes at 40%.			
n) Interest long term debt (428)	223		issuance cost divided by years on note
Accumulated deferred income taxes BS	89		issuance cost divided by years on note times effective tax rate
Deferred debits and other assets - other (189)		223	issuance cost divided by years on note
Income tax expense (409)		89	issuance cost divided by years on note times effective tax rate
To record 12 months of amortization of call premium associated with the refinancing of long-term debt and related income taxes at 40%.			

Key Assumptions for ProForma financials:		
1	Pro-forma date	3/31/13
2	Maturity (in years)	30
3	Debt Amount	\$315,000,000
4	Issuance Costs	\$3,318,741
5	Proceeds	<ul style="list-style-type: none"> • Payoff short-term debt of \$53.4 million as of 03/31/2013 • Redeem 2001 Series C PCRBs of \$108,985,000 on May 1, 2013 • Redeem at maturity \$50,000,000 5.25% Series L FMBs due July 15, 2014 • Pay issuance costs • Remainder used to finance capital expenditures
6	Refinance PCRBs for 8 years	
	Debt Amount	\$89,250,000
	Old Rate	4.750%
	New Rate	2.160%
	Issuance Expense	\$879,187
	Maturity (in years)	8
	Call Premium	\$1,785,000
7	Interest Rate Assumptions (weighted average rate)	
	Commercial Paper	0.350%
8	Debt Interest Rates	
	30-year Debt Rate	3.870%
9	Tax Rate	40%
10	Coupon for \$50,000,000 to be retired	5.25%
11	Coupon for \$108,985,000 to be retired	5.45%

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF INCOME
FOR THE 12 MONTHS ENDED MARCH 31, 2013
(UNAUDITED)
(THOUSANDS OF DOLLARS)

	<u>Per Book</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Giving Effect to Adjustments</u>
Operating Revenues	\$ 1,018,844	\$ -	\$ 1,018,844
Operating Expenses:			
Purchased Power, Fuel and Transmission	339,228		
Operation and Maintenance	257,985		257,985
Depreciation	88,962		88,962
Amortization of Regulatory Liabilities, Net	(24,515)		(24,515)
Amortization of Rate Reduction Bonds	57,472		57,472
Energy Efficiency Programs	14,333		14,333
Taxes other than income taxes	67,552		67,552
Total operating expenses	<u>801,017</u>	<u>-</u>	<u>461,789</u>
Operating Income	217,827	-	217,827
Interest Expense:			
Interest on long-term debt	46,460	1,759 d.e,g,j,k,l,n	48,219
Interest on rate reduction bonds	1,756		1,756
Other interest	1,368	(187) f	1,181
Interest expense, net	<u>49,584</u>	<u>1,572</u>	<u>51,156</u>
Other Income, Net	<u>1,997</u>		<u>1,997</u>
Income Before Income Tax Expense	170,240	(1,572)	168,668
Income Tax Expense	65,624	(627) d.e,f,g,j,k,l,n	64,997
Net Income	<u>\$ 104,616</u>	<u>\$ (945)</u>	<u>\$ 103,671</u>

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
SOURCES AND APPLICATION OF FUNDS AND CAPITALIZATION
FOR THE 12 MONTHS ENDED MARCH 31, 2013
(UNAUDITED)
(THOUSANDS OF DOLLARS)

	12 Months 3/31/2013 <u>Per Book</u>	12 Months 3/31/2013 <u>Pro Forma</u>
Operating activities:		
Net income	\$ 104,616	\$ 103,671
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation	88,962	88,962
Deferred income taxes	59,787	59,787
Pension, SERP and PBOP expense	27,302	27,302
Pension and PBOP contributions	(43,014)	(43,014)
Regulatory over/(under) recoveries, net	(1,893)	(1,893)
Amortization of regulatory assets/(liabilities), net	(24,515)	(24,515)
Amortization of rate reduction bonds	57,472	57,472
Other	130	2,791
Changes in current assets and liabilities:		
Receivables and unbilled revenues, net	(16,453)	(16,453)
Fuel, materials and supplies	17,098	17,098
Taxes receivable/accrued	3,247	403
Accounts payable	32,082	32,082
Other current assets and liabilities	16,719	17,847
Net cash flows provided by operating activities	<u>321,540</u>	<u>321,540</u>
Investing Activities:		
Investments in property, plant and equipment	(201,799)	(301,095)
Other investing activities	3,085	3,085
Net cash flows used in investing activities	<u>(198,714)</u>	<u>(298,010)</u>
Financing Activities:		
Cash dividends on common stock	(64,783)	(64,783)
Issuance of long-term debt	-	404,250
Retirement of long-term debt	-	(248,235)
Increase/(decrease) in notes payable to affiliated companies	500	(52,900)
Retirements of rate reduction bonds	(56,931)	(56,931)
Other financing activities	(487)	(6,470)
Net cash flows provided by/(used in) financing activities	<u>(121,701)</u>	<u>(25,069)</u>
Net increase/(decrease) in cash	1,125	(1,539)
Cash - beginning of year	2,251	2,251
Cash - end of year	<u>\$ 3,376</u>	<u>\$ 712</u>

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
 PRO FORMA CONSOLIDATED CAPITAL STRUCTURE
 AS OF MARCH 31, 2013
 (UNAUDITED)
 (THOUSANDS OF DOLLARS)

	<u>Per Book</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Giving Effect to Adjustments</u>
Long-term debt	\$ 888,999	\$ 265,000	\$ 1,153,999
Common stockholder's equity	1,098,976	(945)	1,098,031
Total Capitalization	<u>\$ 1,987,975</u>	<u>\$ 264,055</u>	<u>\$ 2,252,030</u>

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
SOURCES AND APPLICATION OF FUNDS AND CAPITALIZATION
AS OF DECEMBER 31, 2010, 2011 and 2012 AND AS OF MARCH 31, 2013

(Thousands of Dollars)

	12/31/10		12/31/11		12/31/12		03/31/13	Pro Forma	Pro Forma	
	Per Books	Percentage	Per Books	Percentage	Per Books	Percentage	Per Books	Adjustments	Giving Effect to Proposed Transaction	Percentage
DEBT:										
Short-term debt	\$ 77,900		\$ -		\$ 63,300		\$ 53,400	\$ (53,400)	\$ -	
Long-term debt including due within a year	836,365		997,722		997,932		997,984	156,015	1,153,999	
Total debt	914,265	49.67%	997,722	48.06%	1,061,232	49.41%	1,051,384	102,615	1,153,999	51.24%
COMMON STOCKHOLDER'S EQUITY:										
Common stock	-		-		-		-		-	
Capital surplus, paid in	579,577		700,285		701,052		701,241		701,241	
Retained earnings	347,471		388,910		395,118		407,113	(945)	406,168	
Accumulated other comprehensive loss	(601)		(10,832)		(9,655)		(9,378)		(9,378)	
Total common stockholder's equity	926,447	50.33%	1,078,363	51.94%	1,086,515	50.59%	1,098,976	(945)	1,098,031	48.76%
Total capitalization	\$1,840,712	100.00%	\$2,076,085	100.00%	\$2,147,747	100.00%	\$2,150,360	\$ 101,670	\$ 2,252,030	100.00%

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
SOURCES AND APPLICATION OF FUNDS AND CAPITALIZATION
PRO-FORMAS AS OF MARCH 31, 2013 AND PROJECTED AS OF DECEMBER 31, 2013, 2014, 2015

(Thousands of Dollars)

	12/31/13 Projected	Percentage	12/31/14 Projected	Percentage	12/31/15 Projected	Percentage
DEBT:						
Short-term debt	\$ 239,948		\$ 10,886		\$ 73,491	
Long-term debt including due within a year	889,000		1,155,000		1,155,000	
Total debt	<u>1,128,948</u>	<u>49.88%</u>	<u>1,165,886</u>	<u>48.91%</u>	<u>1,228,491</u>	<u>49.14%</u>
COMMON STOCKHOLDER'S EQUITY:						
Common stock	-		-		-	
Capital surplus, paid in	-		-		-	
Retained earnings	-		-		-	
Accumulated other comprehensive loss	-		-		-	
Total common stockholder's equity	<u>1,134,257</u>	<u>50.12%</u>	<u>1,217,881</u>	<u>51.09%</u>	<u>1,271,249</u>	<u>50.86%</u>
Total capitalization	<u>\$ 2,263,206</u>	<u>100.00%</u>	<u>\$ 2,383,768</u>	<u>100.00%</u>	<u>\$ 2,499,741</u>	<u>100.00%</u>

Sample PSNH Board Resolutions
_____, 2013

ISSUANCE OF ONE OR MORE ADDITIONAL SERIES OF FIRST MORTGAGE BONDS

WHEREAS, the officers of Public Service Company of New Hampshire (“PSNH”) have recommended that PSNH issue one or more new series of first mortgage bonds, in an aggregate principal amount not to exceed \$315,000,000 upon the terms and within the parameters set forth below, the proceeds of which issuances shall be used primarily to: (i) refinance short-term debt, including short-term debt that was incurred to redeem the 2001 Series C Pollution Control Revenue Bonds in an aggregate principal amount of \$108,985,000; (ii) finance the PSNH’s transmission, distribution and generation businesses capital expenditures; (iii) pay at maturity the principal and unpaid accrued interest on PSNH’s \$50,000,000 5.25% Series L First Mortgage Bonds due July 15, 2014; (iv) fund general working capital purposes; and (v) pay issuance costs.

NOW, THEREFORE, BE IT

RESOLVED, that subject to the limitations set forth below, the Executive Vice President and Chief Financial Officer, and the Vice President and Treasurer of PSNH (together, the “Financial Officers”) are each severally authorized to cause PSNH to issue, at any time and from time to time through December 31, 2014 (the “Issuance Period”), not more than \$315,000,000 aggregate principal amount of its first mortgage bonds, the proceeds of which shall be used primarily to: (i) refinance short-term debt, including short-term debt that was incurred to redeem the 2001 Series C Pollution Control Revenue Bonds in an aggregate principal amount of \$108,985,000; (ii) finance the PSNH’s transmission, distribution and generation businesses capital expenditures; (iii) pay at maturity the principal and unpaid accrued interest on PSNH’s \$50,000,000 5.25% Series L First Mortgage Bonds due July 15, 2014; (iv) fund general working capital purposes; and (v) pay issuance costs; such securities to be issued in one or more series, each such series of which shall be designated, the “___% First Mortgage Bonds, Series __ Due 20__” (the “Securities”) and shall have a maturity of not less than one nor more than thirty years.

RESOLVED, that the Financial Officers are each severally authorized during the Issuance Period to approve and execute PSNH’s acceptance of a proposal for the purchase of not more than \$315,000,000 aggregate principal amount of Securities, between PSNH and a representative of a group of underwriters (singly or collectively, the “Underwriter”) and otherwise in accordance with the following terms:

Interest Rate: Subject to the approval of the Public Utilities Commission of the State of New Hampshire (“NHPUC”) and, if necessary, the Vermont Public Service Board (“VPSB”), fixed interest rate or variable interest rate. In the case of a fixed interest rate, the interest rate shall not exceed the prevailing market interest rate on U.S. Treasury Securities with a comparable maturity or average

life, as the case may be, plus 300 basis points, and in the case of a variable interest rate, the interest rate shall not exceed the three-month London Interbank Offered Rate plus a spread of 300 basis points, as the case may be.

Underwriting Spread: Not in excess of 0.875% of the principal amount of the Securities in the case of either variable or fixed rate Securities issued and sold in one or more offerings.

Principal Amount: Not in excess of \$315,000,000 in one or more series, the allocation of the aggregate principal amount among the various series to be determined by the Financial Officers.

Maturity: Not earlier than the first nor later than the thirtieth anniversary of the date of issuance. If the Securities are sold in more than one series, then each series may have a different maturity date, subject to these limits.

Sinking Fund: None.

Redemption: Each series of the Securities shall be redeemable with a “make-whole” premium and such other terms as the Financial Officers may determine.

RESOLVED, that the Financial Officers are severally authorized, in the name and on behalf of PSNH, to execute and deliver, at any time within the Issuance Period, and thereafter to perform, an Underwriting Agreement to be dated as of a date within the Issuance Period (the “Underwriting Agreement”) between PSNH and the Underwriter, which Underwriting Agreement shall be substantially in the form circulated with this consent, but reflecting such changes therein (including the insertion, where appropriate, of the interest rate, principal amount and maturity date of the Securities, the name of the Underwriter, the amount to be purchased by each Underwriter, the date of the Underwriting Agreement and such other material terms as the Financial Officers deem appropriate) as may be approved by a Financial Officer so acting, such approval to be conclusively evidenced by his or her execution and delivery of the Underwriting Agreement.

RESOLVED, that this Board ratifies and confirms the execution and filing, in the name and on behalf of PSNH, with the NHPUC and the VPSB of applications for: (i) the issuance of up to \$315,000,000 aggregate principal amount of Securities and (ii) the mortgage of property in connection with the issuance of long-term debt.

RESOLVED, that the officers of PSNH are further severally authorized to effect such amendments to the application filed with the NHPUC and the VPSB, and to take such other actions with respect thereto, as each of them may severally deem necessary or desirable.

RESOLVED, that PSNH shall effect the issuance, sale and delivery of each series of the Securities in accordance with and upon the terms and conditions set out in the Underwriting Agreement, and that the interest rate to be borne by each series of the Securities, expressed as a percentage per annum, shall be such rate, the principal amount of each series of the Securities shall be such amount, the maturity date of each series of the Securities shall be such date, and the redemption provisions shall have such terms as shall be within the parameters set forth above and approved by a Financial Officer and certified by any of them to the Trustee under PSNH's First Mortgage Indenture dated as of August 15, 1978, with U.S. Bank National Association, as successor to Wachovia Bank, successor to First Fidelity Bank and First Union National Bank, as Trustee (the "Trustee"), as heretofore amended and supplemented, including as amended and restated on June 1, 2011 (the "Indenture").

RESOLVED, the Financial Officers are hereby authorized to execute and deliver (i) one or more Supplemental Indentures, which includes the form of an Amended and Restated Indenture (the "Supplemental Indenture"), to be dated as of the first day of the month of issuance of each series of the Securities, with the Trustee; (ii) one or more Securities as provided thereunder to evidence the obligation of PSNH with respect thereto; and (iii) any and all such further instruments and documents as are provided for therein, all substantially in the form circulated with this consent subject to any changes thereto as may be approved by a Financial Officer so acting, such approval to be conclusively evidenced by his or her execution and delivery of such documents.

RESOLVED, that it is desirable and in the best interests of PSNH that the Securities be qualified or registered for sale in various states; that this Board hereby authorizes the officers of PSNH to take any and all action to determine the states in which appropriate action shall be taken to qualify or register for sale all or such part of the Securities as the officers may deem advisable, including, but not limited to, the execution and filing of applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process, and the execution by the officers of any such paper or document or doing by them of any act in connection with the foregoing matters shall conclusively establish their authority therefor from PSNH.

RESOLVED, the Trustee is hereby requested to authenticate and deliver each series of the Securities upon request in accordance with the terms and conditions of the Indenture.

RESOLVED, that the Securities shall be issued in fully registered form without coupons, in denominations of \$1,000 and any multiples thereof.

RESOLVED, that each series of the Securities shall be substantially in the form set forth in Schedule A to the form of Supplemental Indenture, subject to any changes therein, not contrary to the general tenor thereof (including the insertion, where appropriate, of the maturity date, principal amount, and the interest rate to be borne by each series of the Securities), as may be approved by a Financial Officer, such approval to be conclusively evidenced by the initial sale of each series of the Securities; and that each series of the Securities shall be dated, shall mature, shall be payable, transferable and exchangeable, and shall contain and be subject to such other terms and provisions as are provided in the Indenture and the Supplemental Indenture.

RESOLVED, that the Financial Officers are severally authorized to take any action necessary to cause each series of the Securities to be represented by one or more global securities, which shall be registered in the name of The Depository Trust Company, New York, New York (the “Depository”), or its successor or nominee, including the execution and delivery of a Letter of Representations among the Trustee, PSNH and the Depository (the “Representation Letter”).

RESOLVED, that the Financial Officers are severally authorized and empowered to take, in their discretion, any and all action necessary or convenient to provide for the authentication, issuance, sale and delivery not more than \$315,000,000 principal amount of Securities and all other matters necessary or convenient to effect the purposes of the foregoing resolutions which the officer acting may deem necessary or advisable or which may be required by the terms of the Indenture in connection with the execution and delivery of the Supplemental Indenture, the Underwriting Agreement or the Representation Letter, including, without limitation of the foregoing, the execution on behalf of PSNH of all documents required or appropriate in connection therewith and the payment of any taxes or fees required with respect thereto, and compliance with applicable recording and filing requirements.

RESOLVED, that the officers of PSNH are further severally authorized to effect amendments to the Registration Statement on Form S-3 filed with the Securities and Exchange Commission on May ___, 2013, registering an undetermined amount of PSNH’s First Mortgage Bonds (the “Registration Statement”), previously approved by this Board, and supplements to the prospectus describing PSNH First Mortgage Bonds included as part of the Registration Statement, including a Prospectus Supplement relating to the Securities, and to take such other action with respect thereto as each of them may severally deem necessary or desirable.

RESOLVED, that the officers of PSNH are each authorized to take, in their discretion, any and all actions necessary or desirable to carry out the purposes and intent of the foregoing resolutions, including, without limitation, the execution and delivery of all necessary documents and agreements, and the preparation and filing of applications for approval of such transactions and reports with respect thereto, as required by law or any regulatory authority.

AUTHORIZE THE REFINANCING OF POLLUTION CONTROL REFUNDING REVENUE BONDS 2001 TAX-EXEMPT SERIES B AND THE ISSUANCE OF FIRST MORTGAGE BONDS

WHEREAS, under the Series B Loan and Trust Agreement, dated as of October 1, 2001 (the “Series B Loan and Trust Agreement”), among the Business Finance Authority of the State of New Hampshire (the “BFA”), PSNH and U.S. Bank National Association, as successor trustee (the “PCRB Trustee”), there are issued and outstanding Business Finance BFA of the State of New Hampshire Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project) 2001 Tax-Exempt Series B (the “Series B Tax-Exempt Bonds”) in the aggregate principal amount of \$89,250,000;

WHEREAS, to evidence and secure its loan payment obligations under the Series B Loan and Trust Agreement, PSNH issued and delivered to the PCRB Trustee its First Mortgage Bond (Series J due 2021) (the “Series J Bonds”) currently in the principal amount of \$89,250,000 (equal to the aggregate principal amount of the outstanding Series B Tax-Exempt Bonds) and bearing interest at the same rates as the Series B Tax-Exempt Bonds. The Series J Bonds were issued pursuant to the Indenture;

WHEREAS, the Series B Tax-Exempt Bonds are currently redeemable prior to maturity at the option of PSNH at the redemption prices set forth in the bond plus accrued but unpaid interest to the redemption date (such price plus interest, together, the “Redemption Price”); and

WHEREAS, PSNH desires to refinance the Series B Tax-Exempt Bonds, either (A) through the issuance by the BFA of a new series of tax-exempt pollution control refunding revenue bonds having the same maturity date as the existing Series B Tax-Exempt Bonds, to be secured by a new series of PSNH first mortgage bonds, or (B) through the issuance of a new series of PSNH first mortgage bonds with a maturity of not less than one and not more than 30 years. All capitalized terms not otherwise defined herein having the meaning as set forth in the Series B Loan and Trust Agreement.

ISSUANCE OF TAX-EXEMPT POLLUTION CONTROL REFUNDING REVENUE BONDS

RESOLVED, that subject to the receipt of all necessary approvals from regulatory agencies, PSNH is authorized to enter into financing arrangements with the Business Finance Authority of the State of New Hampshire (the “BFA”) under which the BFA will issue its Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - 2013 Tax-Exempt Series A) in the aggregate principal amount of \$89,250,000, maturing on May 1, 2021 (the “Series A Tax-Exempt Bonds”) and will loan the proceeds of the sale of such bonds to PSNH, which proceeds will be used to refund the BFA Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project) 2001 Tax-Exempt Series B (the “Series B Tax-Exempt Bonds”) in the aggregate principal amount of \$89,250,000.

RESOLVED, that subject to the receipt of all necessary approvals from regulatory agencies, PSNH is authorized to enter into a Series A Loan and Trust Agreement among PSNH, the BFA and U.S. Bank National Association or such other financial institution to be determined, as trustee (the "Trustee") (the "Series A Loan Agreement") pursuant to which the BFA will issue the Series A Bonds and will loan the proceeds of the sale of the bonds to PSNH, such proceeds to be used to refund the Series B Tax-Exempt Bonds.

RESOLVED that the Series A Loan Agreement be and it hereby is approved in substantially the form presented to this Board; and that the Executive Vice President and Chief Financial Officer, and the Vice President and Treasurer of PSNH (together, the "Financial Officers") are each severally authorized and directed to execute and deliver, in the name and on behalf of PSNH, the Series A Loan Agreement with such changes therein (including changes to the exhibits thereto) as may be approved a Financial Officer, the execution and delivery thereof to be conclusive evidence of such officer's approval of such changes.

RESOLVED, that the Series A Bonds shall be issued pursuant to the Series A Loan Agreement upon the terms and conditions therein.

RESOLVED that the Series A Broker-Dealer Agreement(s) among the Auction Agent, the Broker-Dealer(s) and PSNH, be and they are hereby approved in substantially the forms presented to this Board, and that the Financial Officers are each severally authorized and directed to execute and deliver, in the name and on behalf of PSNH, the Broker-Dealer Agreement(s) with such changes therein (including changes to the exhibits thereto) as may be approved by a Financial Officer, the execution and delivery thereof to be conclusive evidence of such officer's approval of such changes.

RESOLVED that the Series A Bond Purchase Agreement among the BFA, PSNH and the Purchaser, be and hereby is approved in substantially the form presented to this Board, and that the Financial Officers are each severally authorized and directed to execute and deliver, in the name and on behalf of PSNH, the Series A Bond Purchase Agreement with such changes therein (including changes to the exhibits thereto) as may be approved by a Financial Officer, the execution and delivery thereof to be conclusive evidence of such officer's approval of such changes.

RESOLVED that the 2001 Series B Refunding Trust Agreement among the BFA, PSNH and U.S. Bank National Association, in its capacity as Trustee of the 2001 Series B Tax-Exempt Bonds (the "Refunding Trust Agreement"), be and hereby is approved in substantially the form presented to this Board, and that the Financial Officers are each severally authorized and directed to execute and deliver, in the name and on behalf of PSNH, the Refunding Trust Agreement with such changes therein (including changes to the exhibits thereto) as may be approved by a Financial Officer, the execution and delivery thereof to be conclusive evidence of such officer's approval of such changes.

RESOLVED, that the Financial Officers are each severally authorized and directed to execute and deliver, in the name and on behalf of PSNH, such other agreements, including but not limited to a Series A Pollution Control Facilities Agreement and a Continuing Disclosure

Agreement, which in the opinion of such officer or the opinion of counsel are necessary or desirable in connection with the issuance of the Series A Bonds.

RESOLVED that the form of Official Statement relating to the Series A Bonds is hereby approved in the form in which it has been presented to this Board, and is ordered to be filed with the records thereof, with such changes, insertions and omissions as the Financial Officers may approve; and the Financial Officers are each severally authorized to approve the distribution of the Official Statement, the granting of such approval to be sufficient and conclusive evidence that the same is within the BFA conferred by these resolutions.

RESOLVED, that subject to the receipt of all necessary approvals from regulatory agencies, the Financial Officers are each severally authorized and directed, in the name and on behalf of PSNH to issue a new series of First Mortgage Bonds to evidence and secure repayment of principal and interest on the Series A Bonds, and to do any and all things and to take any and all actions as necessary to issue such First Mortgage Bonds, and to pay, on behalf of PSNH all fees and expenses, which in the opinion of the officer so acting, or in the opinion of counsel, are necessary or desirable to carry out the purposes of this resolution and that any and all prior actions of the Financial Officers in preparation for and with respect thereto are hereby ratified and approved.

RESOLVED, that a new series of first mortgage bonds, to be designated the “___% First Mortgage Bonds, Series __, Due 20__” (the “New Bonds”), shall be issued in the aggregate principal amount not to exceed \$89,250,000 and secured by PSNH’s First Mortgage Indenture dated as of August 15, 1978, with U.S. Bank National Association, as successor to Wachovia Bank, successor to First Fidelity Bank and First Union National Bank, as Trustee (the “Trustee”), as heretofore amended and supplemented, including as amended and restated on June 1, 2011 (the “Indenture”), to evidence and secure PSNH’s obligation to make all payments of principal of, premium, if any, and interest on, the Series A Bonds.

RESOLVED, that the principal amount, interest rate, maturity and redemption provisions of the New Bonds shall be consistent with the provisions of the Series A Bonds and shall be computed by the officers of PSNH, the sufficiency of such computation to be conclusively evidenced by the execution and delivery of a Supplemental Indenture.

RESOLVED, that PSNH shall effect the issue and delivery of PSNH’s New Bonds to U.S. Bank National Association in its capacity as Trustee under the Series A Loan Agreement in accordance with and on the terms and conditions set forth in the Series A Loan Agreement.

RESOLVED, that a new Supplemental Indenture between PSNH and the Trustee, which provides for the issuance of \$89,250,000 aggregate principal amount of New Bonds, bearing interest in the same manner and rate as the Series A Bonds and maturing on May 1, 2021, be and hereby is approved in substantially the form presented to this Board; that the Financial Officers are authorized and directed, in the name and on behalf of PSNH, to execute, acknowledge and deliver, in as many counterparts as they or any one of them may deem advisable, a Supplemental Indenture with such changes therein (including changes in the attachments and schedules thereto) as may be approved by any officer of PSNH, the execution and delivery thereof to be conclusive

evidence of such officer's approval of such changes; and that, if necessary, the Secretary or any Assistant Secretary of PSNH is authorized to affix the corporate seal of PSNH to the Supplemental Indenture and to attest such seal.

RESOLVED, that PSNH's New Bonds shall be issued under and secured by the Indenture, as amended by the Supplemental Indenture.

RESOLVED, that the officers of PSNH be and they are hereby severally authorized and directed, in the name and on behalf of PSNH, to request the Trustee to enter into the Supplemental Indenture with PSNH.

RESOLVED, that New Bonds shall be issued in fully registered form without coupons in denomination of \$1,000 or multiples thereof.

RESOLVED, that the New Bonds shall be issued in substantially the form set out, and the New Bonds shall be dated, shall mature, and shall be payable, transferable and exchangeable, shall be redeemable and shall contain and be subject to such other terms and provisions as provided in the Indenture, as amended and restated, and the Supplemental Indenture, with such changes therein, including the insertion, where appropriate, of the interest rates, general and special redemption prices and other terms and conditions of the New Bonds as may be approved by a Financial Officer, the initial issue of the New Bonds to be conclusive evidence of such officer's approval of such changes.

RESOLVED, that the New Bonds shall be executed by and on behalf of PSNH by the manual or facsimile signature of the President or any Vice President of PSNH, attested by the manual or facsimile signature of the Secretary or any Assistant Secretary of PSNH, and shall bear PSNH's seal or a facsimile thereof.

RESOLVED, that the New Bonds shall be issued under the Indenture, as amended and restated, and the Supplemental Indenture thereto, in compliance with the requirements of the Indenture, and that the Financial Officers are each severally authorized and directed to make written application in the name and on behalf of PSNH to the Trustee, requesting the Trustee to authenticate \$89,250,000 principal amount of New Bonds, and to deliver the New Bonds to or upon the order of a Financial Officer, and the Trustee be and it hereby is requested to authenticate and deliver the New Bonds in accordance with such application.

RESOLVED, that the Trustee be and it hereby is appointed Paying Agent and Bond Registrar under the Indenture for the New Bonds, that the principal corporate trust office of the Trustee in Morristown, New Jersey, be and it hereby is designated as the office at which the New Bonds may be presented for payment, surrendered for transfer or exchange, and all notices and demands in respect of the New Bonds may be served.

RESOLVED, that the issuance of the Series A Bonds and the issuance of the New Bonds to evidence and secure PSNH's obligations with respect to the Series A Bonds and such other necessary and desirable actions in connection therewith (the "Proposed Transactions") is hereby approved, and that the Financial Officers are each severally authorized and directed to do any

and all things and to take any and all action, including the payment of any and all attorneys', trustees', insurers', auction agent, broker-dealers', bond purchasers', finance authorities', banks', financial institutions', accountants', registration or other fees and any other expenses, and the execution of any and all documents, which in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to carry out the Proposed Transactions, and that all prior actions of the officers with respect thereto are hereby ratified and approved.

RESOLVED, that the actions of the officers in preparing and executing, in the name and on behalf of PSNH, and filing with the New Hampshire Public Utilities Commission (the "NHPUC"), an application requesting approval of the Proposed Transactions are hereby confirmed and ratified, and the Financial Officers are each severally authorized to prepare, execute and file with the NHPUC any such additional materials, applications or amendments to the foregoing application as are deemed necessary or desirable and to take such other actions in relation thereto as they deem necessary or desirable.

RESOLVED, that the Financial Officers are each severally authorized and directed, on behalf of PSNH, to initiate and pursue to conclusion all applications, declarations, and petitions to any regulatory authorities which in their opinion or in the opinion of counsel are necessary or desirable in connection with the Proposed Transactions, and to do any and all things and to execute any and all documents which may be necessary or desirable to carry out the purposes of this resolution and the preceding resolutions.

ISSUANCE OF TAXABLE FIRST MORTGAGE BONDS

RESOLVED, that, in lieu of refinancing the Series B Tax-Exempt Bonds through the issuance by the BFA of a new series of tax-exempt pollution control refunding revenue bonds, in accordance with the resolutions set forth above, and subject to the limitations set forth below, Financial Officers are each severally authorized to cause PSNH to issue, at any time and from time to time not more than \$92,000,000 aggregate principal amount of its first mortgage bonds, the proceeds of which shall be used to refinance the \$89,250,000 aggregate principal amount of Series B Tax-Exempt Bonds, and to pay required call premiums and issuance expenses,

such bonds to be issued in one series which shall be designated, the "___% First Mortgage Bonds, Series __ Due 20__" (the "Bonds") and shall have a maturity of not less than one nor more than thirty years.

RESOLVED, that the Financial Officers are each severally authorized during the Issuance Period to approve and execute PSNH's acceptance of a proposal for the purchase of not more than \$92,000,000 aggregate principal amount of Bonds, between PSNH and a representative of a group of underwriters (singly or collectively, the "Underwriter") and otherwise in accordance with the following terms:

Interest Rate: Subject to the approval of the Public Utilities Commission of the State of New Hampshire ("NHPUC") and, if necessary, the Vermont Public Service Board ("VPSB"), fixed interest rate or variable interest rate. In the case of a fixed interest rate, the interest rate shall not exceed the prevailing market interest rate on

U.S. Treasury Bonds with a comparable maturity or average life, as the case may be, plus 300 basis points, and in the case of a variable interest rate, the interest rate shall not exceed the three-month London Interbank Offered Rate plus a spread of 300 basis points, as the case may be.

Underwriting Spread: Not in excess of 0.875% of the principal amount of the Bonds in the case of either variable or fixed rate Bonds issued and sold in one or more offerings.

Principal Amount: Not in excess of \$92,000,000 in one or more series, the allocation of the aggregate principal amount among the various series to be determined by the Financial Officers.

Maturity: Not earlier than the first nor later than the thirtieth anniversary of the date of issuance. If the Bonds are sold in more than one series, then each series may have a different maturity date, subject to these limits.

Sinking Fund: None.

Redemption: The Bonds shall be redeemable with a “make-whole” premium and such other terms as the Financial Officers may determine.

RESOLVED, that the Financial Officers are severally authorized, in the name and on behalf of PSNH, to execute and deliver and thereafter to perform, an Underwriting Agreement (the “Underwriting Agreement”) between PSNH and the Underwriter, which Underwriting Agreement shall be substantially in the form circulated with this consent, but reflecting such changes therein (including the insertion, where appropriate, of the interest rate, principal amount and maturity date of the Bonds, the name of the Underwriter, the amount to be purchased by each Underwriter, the date of the Underwriting Agreement and such other material terms as the Financial Officers deem appropriate) as may be approved by a Financial Officer so acting, such approval to be conclusively evidenced by his or her execution and delivery of the Underwriting Agreement.

RESOLVED, that this Board ratifies and confirms the execution and filing, in the name and on behalf of PSNH, with the NHPUC and the VPSB of applications for: (i) the issuance of up to \$92,000,000 aggregate principal amount of Bonds and (ii) the mortgage of property in connection with the issuance of long-term debt.

RESOLVED, that the officers of PSNH are further severally authorized to effect such amendments to the application filed with the NHPUC and the VPSB, and to take such other actions with respect thereto, as each of them may severally deem necessary or desirable.

RESOLVED, that PSNH shall effect the issuance, sale and delivery of each series of the Bonds in accordance with and upon the terms and conditions set out in the Underwriting

Agreement, and that the interest rate to be borne by each series of the Bonds, expressed as a percentage per annum, shall be such rate, the principal amount of each series of the Bonds shall be such amount, the maturity date of each series of the Bonds shall be such date, and the redemption provisions shall have such terms as shall be within the parameters set forth above and approved by a Financial Officer and certified by any of them to the Trustee under the Indenture.

RESOLVED, the Financial Officers are hereby authorized to execute and deliver (i) a Supplemental Indenture (the "Supplemental Indenture"), to be dated as of the first day of the month of issuance of each series of the Bonds, with the Trustee; (ii) one or more Bonds as provided thereunder to evidence the obligation of PSNH with respect thereto; and (iii) any and all such further instruments and documents as are provided for therein, all substantially in the form circulated with this consent subject to any changes thereto as may be approved by a Financial Officer so acting, such approval to be conclusively evidenced by his or her execution and delivery of such documents.

RESOLVED, that it is desirable and in the best interests of PSNH that the Bonds be qualified or registered for sale in various states; that this Board hereby authorizes the officers of PSNH to take any and all action to determine the states in which appropriate action shall be taken to qualify or register for sale all or such part of the Bonds as the officers may deem advisable, including, but not limited to, the execution and filing of applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process, and the execution by the officers of any such paper or document or doing by them of any act in connection with the foregoing matters shall conclusively establish their authority therefor from PSNH.

RESOLVED, the Trustee is hereby requested to authenticate and deliver each series of the Bonds upon request in accordance with the terms and conditions of the Indenture.

RESOLVED, that the Bonds shall be issued in fully registered form without coupons, in denominations of \$1,000 and any multiples thereof.

RESOLVED, that each series of the Bonds shall be substantially in the form set forth in Schedule A to the form of Supplemental Indenture, subject to any changes therein, not contrary to the general tenor thereof (including the insertion, where appropriate, of the maturity date, principal amount, and the interest rate to be borne by each series of the Bonds), as may be approved by a Financial Officer, such approval to be conclusively evidenced by the initial sale of each series of the Bonds; and that each series of the Bonds shall be dated, shall mature, shall be payable, transferable and exchangeable, and shall contain and be subject to such other terms and provisions as are provided in the Indenture and the Supplemental Indenture.

RESOLVED, that the Financial Officers are severally authorized to take any action necessary to cause each series of the Bonds to be represented by one or more global Bonds, which shall be registered in the name of The Depository Trust Company, New York, New York (the "Depository"), or its successor or nominee, including the execution and delivery of a Letter of Representations among the Trustee, PSNH and the Depository (the "Representation Letter").

RESOLVED, that the Financial Officers are severally authorized and empowered to take, in their discretion, any and all action necessary or convenient to provide for the authentication, issuance, sale and delivery not more than \$92,000,000 principal amount of Bonds and all other matters necessary or convenient to effect the purposes of the foregoing resolutions which the officer acting may deem necessary or advisable or which may be required by the terms of the Indenture in connection with the execution and delivery of the Supplemental Indenture, the Underwriting Agreement or the Representation Letter, including, without limitation of the foregoing, the execution on behalf of PSNH of all documents required or appropriate in connection therewith and the payment of any taxes or fees required with respect thereto, and compliance with applicable recording and filing requirements.

RESOLVED, that the officers of PSNH are further severally authorized to effect amendments to the Registration Statement on Form S-3 filed with the Bonds and Exchange Commission on May ___, 2013, registering an undetermined amount of PSNH's First Mortgage Bonds (the "Registration Statement"), previously approved by this Board, and supplements to the prospectus describing PSNH First Mortgage Bonds included as part of the Registration Statement, including a Prospectus Supplement relating to the Bonds, and to take such other action with respect thereto as each of them may severally deem necessary or desirable.

RESOLVED, that the officers of PSNH are each authorized to take, in their discretion, any and all actions necessary or desirable to carry out the purposes and intent of the foregoing resolutions, including, without limitation, the execution and delivery of all necessary documents and agreements, and the preparation and filing of applications for approval of such transactions and reports with respect thereto, as required by law or any regulatory authority.

REDEMPTION OF SERIES B POLLUTION CONTROL REVENUE BONDS AND RELATED TRANSACTIONS

RESOLVED, that pursuant to the Series B Loan and Trust Agreement, the Financial Officers are each severally authorized to cause the redemption, at any one or more redemption dates, as determined by such officer, of all of the outstanding Series B Tax-Exempt Bonds at their Redemption Price.

RESOLVED, that, pursuant to the Series B Loan and Trust Agreement, the Financial Officers are severally authorized to deposit, or cause to be deposited, with the Trustee funds sufficient to redeem the Series B Tax-Exempt Bonds at their Redemption Price.

RESOLVED, that, pursuant to the Series B Loan and Trust Agreement, the Financial Officers are severally authorized to request the Trustee to apply the funds deposited with it on such date(s) to the redemption of the Series B Tax-Exempt Bonds at their Redemption Price.

RESOLVED, that upon redemption of all the Series B Tax-Exempt Bonds, and as and when applicable, the Financial Officers are severally authorized and directed, in the name and on behalf of PSNH, to notify the Trustee of the redemption of the Series B Tax-Exempt Bonds and the related transactions and that PSNH's obligations to pay principal of and premium, if any, and

interest with respect to \$89,250,000 aggregate principal amount of the Series J Bonds has been satisfied and discharged.

RESOLVED, that in connection with and upon redemption of the Series B Tax-Exempt Bonds and related transactions described in the foregoing resolutions, that the officers of PSNH be and they are hereby severally authorized and directed, in the name of and on behalf of PSNH, to do any and all things and to take any and all action, including the issuance of notice, the payment of any and all banks', attorneys', trustees', paying agents', remarketing agents', registration or any other fees and any other expenses, and the execution of any and all documents, which, in the opinion of the officer or officers so acting, or in the opinion of counsel, are necessary or desirable to carry out the redemption of the Series B Tax-Exempt Bonds and related transactions described in the preceding resolutions, and that all prior actions of the officers with respect thereto are hereby ratified and approved.

COMPOSITE
(Including All Amendments to and including the
Eighteenth Supplemental Indenture dated as of May 1, 2011)

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

and

U.S. BANK NATIONAL ASSOCIATION

Successor to WACHOVIA BANK, NATIONAL ASSOCIATION

and to

FIRST UNION NATIONAL BANK

Formerly Known as **FIRST FIDELITY BANK, NATIONAL ASSOCIATION,**
NEW JERSEY

Successor to **BANK OF NEW ENGLAND, NATIONAL ASSOCIATION**
(Formerly Known as NEW ENGLAND MERCHANTS NATIONAL BANK)

and to

NEW BANK OF NEW ENGLAND, NATIONAL ASSOCIATION, TRUSTEE

To Secure

First Mortgage Bonds

First Mortgage Indenture

Dated as of August 15, 1978,

As amended by Eighteen Supplemental Indentures
(to and including the Eighteenth Supplemental Indenture dated as of May 1, 2011)

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
 FIRST MORTGAGE INDENTURE
 DATED AS OF AUGUST 15, 1978
 (Including All Amendments to and including the
 Eighteenth Supplemental Indenture dated as of May 1, 2011)

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Reconciliation and tie between Trust Indenture Act of 1939 and Mortgage, as amended by all amendments to and including the Eighteenth Supplemental Indenture dated as of May 1, 2011.

Trust Indenture Act Section	Mortgage Section
§§ 310 (a)(1)	1009
(a)(2)	1009
(a)(3)	1014
(a)(4)	Not Applicable
(b).....	1008, 1010
§§ 311 (a).....	1013
(b).....	1013
(c).....	Not Applicable
§§ 312 (a).....	1101
(b).....	1101
(c).....	1101
§§ 313 (a).....	1102
(b)(1)	Not Applicable
(b)(2)	1102
(c).....	1102
(d).....	1102
§§ 314 (a).....	1102
(a)(4)	705
(b).....	1614
(c)(1)	103
(c)(2)	103
(c)(3)	Not Applicable
(d).....	1610
(e).....	103
§§ 315 (a).....	1001(a)
(b).....	1002
(c).....	1001(b)
(d).....	1001(c)
(d)(1)	1001(a), 1001(c)
(d)(2)	1001(c)
(d)(3)	1001(c)
(e).....	914
§§ 316 (a).....	912, 913
(a)(1)(A).....	902, 912
(a)(1)(B)	913
(a)(2).....	Not Applicable
(b).....	908
§§ 317 (a)(1)	903
(a)(2)	904
(b).....	703
§§ 318 (a).....	108

THIS FIRST MORTGAGE INDENTURE dated as of August 15, 1978 (hereinafter generally referred to as the "Original Indenture" and sometimes referred to, with each and every prior indenture supplemental hereto and each and every other instrument which the Company, pursuant to the provisions hereof, may execute with the Trustee and which is therein stated to be supplemental to the Original Indenture, as the "Mortgage"), between PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE (hereinafter with its successors and assigns generally called the "Company"), a corporation duly organized and existing under the laws of the State of New Hampshire, having its principal place of business at Energy Park, 780 Commercial Street in Manchester, New Hampshire 03101, and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, having a corporate trust office at 21 South Street, 3rd Floor, Morristown, New Jersey 07960, and duly authorized to execute the trusts hereof, successor to Wachovia Bank, National Association, successor to First Union National Bank formerly known as First Fidelity Bank, National Association New Jersey successor to Bank of New England, National Association (formerly known as New England Merchants National Bank) and to New Bank of New England, National Association (hereinafter with its successors generally called the "Trustee").

(Recitals in Original Indenture and in all prior indentures supplemental thereto are omitted but remain applicable hereto.)

NOW, THEREFORE, THIS INDENTURE WITNESSETH that, in consideration of the premises and of the authentication, purchase and acceptance of the initial issue of the Series A Bonds described in section 2.12 of the Original Indenture, of the sum of \$10 duly paid to the Company by the Trustee, and of other good and valuable considerations, receipt whereof upon the ensembling and delivery of this Mortgage the Company hereby acknowledges, and in order to secure the equal pro rata payment (except as herein otherwise provided) of the principal of, and premium, if any, and interest on, all of the bonds at any time authenticated, issued and outstanding hereunder, according to their tenor, purport and effect and the provisions hereof, and to secure the faithful performance and observance of all the covenants, obligations, conditions and provisions therein and herein contained, and to declare the terms and conditions upon which the bonds are and are to be secured, authenticated, issued, delivered, transferred and exchanged, and upon which the trusts hereof are to be administered by the Trustee, and upon which the property hereby mortgaged and pledged is to be held and disposed of, all as hereinafter provided,

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE by these presents does give, grant, bargain, sell, pledge, assign, transfer, mortgage and convey, unto U.S. Bank National Association, and its successors in the trust hereof, and its and their assigns, all and singular the following described property and rights and interests in property, whether now owned or hereafter acquired by the Company (all of the foregoing, with all other property and rights and interests in property intended to be hereby given, granted, bargained, sold, pledged, assigned, transferred, mortgaged and conveyed, or at any time given, granted, bargained, sold, pledged, assigned, transferred, mortgaged or conveyed, and all proceeds of any of the foregoing at any time given, granted, bargained, sold, pledged, assigned, transferred, mortgaged or conveyed to and from time to time held by the Trustee upon the trusts hereof, being herein generally called, collectively, the trust estate), namely:

ALL REAL ESTATE and rights and interests in and to real estate, all plants, substations, structures, transmission and distribution lines, facilities and other physical property used or useful in the business of generating, producing, purchasing, transmitting or distributing electricity, all machinery, equipment, inventory, materials, supplies, tools, vessels and other tangible personal property used or useful in connection therewith, and all dams, reservoirs and water, flowage and riparian rights, and franchises, licenses, permits, approvals, other general intangibles, easements and rights of way used or useful in connection with said business, and all other property wherever located and of whatever nature, to the extent of all the Company's ownership interest therein, regardless of the nature of such ownership interest, whether the entire ownership interest in the property concerned or a jointly held interest in common with others, divided or undivided, or otherwise, whether real, personal or mixed, and whether now owned or hereafter acquired by the Company; including, without limitation, all property described or referred to in Schedule A attached to the Original Indenture and hereby made a part hereof as fully as if set forth herein at length, or in any instrument referred to in said Schedule A, in all cases not specifically reserved, excepted and excluded;

(All property described or referred to in all in all prior indentures supplemental to the Original Indenture are omitted but remain applicable hereto, to the extent not specifically reserved, excepted and excluded.)

TOGETHER with all the Company's now-existing or hereafter acquired right, title and interest to any and all physical property of the Company, now or hereafter subject to any prior mortgage, pledge, charge or other encumbrance or lien, and the cash and other proceeds therefrom, to the extent that such property, cash and proceeds shall not be otherwise held or applied pursuant to the requirements of such mortgage, pledge, charge or other encumbrance or lien;

AND TOGETHER WITH all and singular the now-existing and hereafter-acquired rights, privileges, tenements, hereditaments and appurtenances belonging or in any wise appertaining in and to the aforesaid property or any part thereof, with all reversion and reversions, remainder and remainders and, subject to the provisions of the Mortgage, all tolls, rents, revenues, earnings, interest, dividends, royalties, issues, income and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire, in and to all and every part of the foregoing, it being the intention to include herein and to subject to the lien hereof all land, interests in land, real estate, physical assets, other property and interests in property, and franchises, whether now owned by the Company or which it may hereafter acquire, and wherever situated, as if the same were now owned by the Company and were specifically described and conveyed hereby, except as hereinafter specified;

The foregoing property, and rights and interests in property, being located in the following listed New Hampshire municipalities as well as in various municipalities in the states of Maine and Vermont:

(Listing of counties and municipalities and unincorporated places omitted but such listing, as set forth in the Tenth Supplemental Indenture to the Original Indenture and as subsequently modified or amended by subsequent indentures supplemental to the Original Indenture, remains applicable.)

SUBJECT, HOWEVER, (i) to Permitted Liens as that term is defined in the Mortgage and (ii) as to the property specifically described or referred to in Schedule A attached to the Original Indenture, to the liens, charges, encumbrances, reservations, exceptions, exclusions, restrictions, conditions, limitations, covenants and interests described or referred to in Schedule A or in any instrument referred to in Schedule A;

AND SUBJECT FURTHER, as to all hereafter-acquired property, to all defects and limitations of title and to all other liens, charges, encumbrances, reservations, exceptions, exclusions, restrictions, conditions, limitations, covenants and interests existing at the time of such acquisition;

BUT SPECIFICALLY RESERVING, EXCEPTING AND EXCLUDING from the Mortgage, and from the grant, conveyance, mortgage, transfer, pledge and assignment herein contained, all right, title and interest of the Company now owned or hereafter acquired, in and to the following property and rights, all of which, if not previously reserved, excepted and excluded, or released and discharged from the operation and lien on the Mortgage, is hereby released and discharged from the operation and lien of the Mortgage (herein sometimes called "Excepted Property"):

(i) all cash on hand or in banks or other financial institutions, deposit accounts, securities accounts, shares of stock, interests in business trusts or general or limited partnerships or limited liability companies, bonds, notes, mortgages, other evidences of indebtedness and other securities, security entitlements and investment property, of whatsoever kind and nature, not hereafter paid or delivered to, deposited with or held by the Trustee hereunder or required so to be;

(ii) all rights, contracts, leases, operating agreements and other agreements of whatsoever kind and nature; all contract rights, bills, notes and other instruments and chattel paper (except to the extent that any of the same constitute securities, security entitlements or investment property, in which case they are separately excepted from the Lien of this Mortgage under clause (i) above); all revenues, income and earnings, all accounts, accounts receivable, rights to payment, payment intangibles and unbilled revenues, transition property, and all rents, tolls, earnings, issues, product and profits, revenues, dividends, income, claims, credits, demands and judgments; all governmental and other licenses, permits, franchises, consents and allowances; and all patents, patent licenses and other patent rights, patent applications, trade names, trademarks, copyrights and other intellectual property; and all claims, credits, choses in action, commercial tort claims and other intangible property and general intangibles including, but not limited to, computer software;

(iii) all automobiles, buses, trucks, truck cranes, tractors, trailers and similar vehicles and movable equipment; all rolling stock, rail cars and other railroad equipment; all vessels, boats, barges, and other marine equipment; all airplanes, helicopters, aircraft engines and other flight equipment; all parts, accessories and supplies used in connection with any of the foregoing; and all personal property of such character that the perfection of a security interest therein or other Lien thereon is not governed by the Uniform Commercial Code as in effect in the jurisdiction in which such property is located;

(iv) all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; all materials, supplies, inventory and other items of personal property which are consumable (otherwise than by ordinary wear and tear) in their use in the operation of the Mortgaged Property; all fuel, all hand and other portable tools and equipment; all furniture and furnishings; and computers and data processing, data storage, data transmission, telecommunications and other facilities, equipment and apparatus, which, in any case, are used primarily for administrative or clerical purposes or are otherwise not necessary for the operation or maintenance of the facilities, machinery, equipment or fixtures described or referred to in the Granting Clauses of this Mortgage;

(v) all coal, lignite, ore, gas, oil and other minerals and all timber, and all rights and interests in any of the foregoing, whether or not such minerals or timber shall have been mined or extracted or otherwise separated from the land; and all electric energy and capacity, gas (natural or artificial), steam, water and other products generated, produced, manufactured, purchased or otherwise acquired by the Company;

(vi) all real property, leaseholds, gas rights, wells, gathering, tap or other pipe lines, or facilities, equipment or apparatus, in any case used or to be used primarily for the production or gathering of natural gas;

(vii) all property which is the subject of a lease agreement designating the Company as lessee and all right, title and interest of the Company in and to such property and in, to and under such lease agreement, whether or not such lease agreement is intended as security;

(viii) all property, real, personal and mixed, which has been released from the Lien of this Mortgage, and any improvements, extensions and additions to such properties and renewals, replacements and substitutions of or for any parts thereof;

(ix) all leasehold interests, permits, licenses and similar rights, whether now owned or hereafter acquired by the Company, which are intended to be hereby conveyed, transferred or assigned and which may not be legally so conveyed, transferred or assigned, or which cannot be so conveyed, transferred or assigned without the consent of other parties whose consent is not secured or without subjecting the Trustee to a liability not otherwise contemplated by the provisions of the Mortgage or which otherwise may not be hereby lawfully and/or effectively granted, conveyed, mortgaged, transferred and assigned by the Company;

(x) the last day of the term of each leasehold estate (oral or written, or any agreement therefor) then owned or thereafter acquired by the Company;

(xi) the Company's books and records;

(xii) residential real estate purchased from employees of the Company for resale;
and

(xiii) all property not acquired or constructed by the Company for use in its electric generation, transmission and distribution business;

provided, however, that, subject to the provisions of Section 1203, (A) if, at any time after the occurrence of an Event of Default, the Trustee, or any separate trustee or co-trustee appointed under Section 1014 or any receiver appointed pursuant to Section 917 or otherwise, shall have entered into possession of all or substantially all the Mortgaged Property, to the extent permitted by law, all the Excepted Property described or referred to in the foregoing clauses (iii) and (v) then owned or held or thereafter acquired by the Company, to the extent that the same is used in connection with, or otherwise relates or is attributable to, the Mortgaged Property, shall immediately, and, in the case of any Excepted Property described or referred to in clause (vii), to the extent that the same is used in connection with, or otherwise relates or is attributable to, the Mortgaged Property, become subject to the Lien of this Mortgage, junior and subordinate to any Liens at that time existing on such Excepted Property, and the Trustee or such other trustee or receiver may, to the extent permitted by law or by the terms of any such other Lien (and subject to the rights of the holders of all such other Liens), at the same time likewise take possession thereof, (B) whenever all Events of Default shall have been cured and the possession of all or substantially all of the Mortgaged Property shall have been restored to the Company, such Excepted Property shall again be excepted and excluded from the Lien hereof to the extent set forth above; it being understood that the Company may, however, pursuant to any future amendment to this Mortgage subject any Excepted Property to the Lien of this Mortgage whereupon the same shall cease to be Excepted Property, and (C) to the extent not prohibited by any other provision of the Mortgage, nothing contained in the release herein provided for shall prevent the Company, prior to any such entering into possession, from selling, assigning, transferring, pledging or otherwise disposing of property of the character thereby released from the lien hereof by this paragraph and in any such case the title, possession or other rights of the purchaser, assignee or transferee thereof shall be free and clear of such lien as would otherwise attach under the Mortgage in the event of such entering into possession.

The Company expressly reserves the right, at any time and from time to time, by indentures supplemental hereto, to subject to the lien and operation of the Mortgage any part or all of the property reserved, excepted and excluded from the lien and operation hereof upon such terms and conditions and subject to such restrictions, limitations and reservations as it may determine;

BUT INCLUDING, NEVERTHELESS, any and all cash, bonds, stocks, notes, obligations and other securities and other property which at any time hereafter, by delivery or writing of any kind for the purposes hereof, may be expressly conveyed, mortgaged, pledged, delivered, assigned, transferred or paid to or deposited with the Trustee hereunder by the Company, or with its consent by any one in its behalf, as and for any additional security for the bonds issued and to be issued hereunder, the Trustee being authorized at any and all times to receive such conveyance, mortgage, pledge, delivery, assignment, transfer, payment or deposit, and to hold and apply any and all such cash, bonds, stocks, notes, obligations and other securities and other property in accordance with the provisions hereof and/or of such writing.

TO HAVE AND TO HOLD all said plant, premises, property, franchises and rights hereby conveyed, assigned, pledged or mortgaged, or intended so to be, unto the Trustee, its successor or successors in trust, and to its and their assigns forever;

BUT IN TRUST, NEVERTHELESS, with power of sale, for the equal pro rata benefit, security and protection of the owners of the bonds without any preference, priority or distinction whatever of any one bond over any other bond by reason of priority in the issue, sale or negotiation thereof, or otherwise;

PROVIDED, HOWEVER, and these presents are upon the condition, that if the Company shall pay or cause to be paid or make appropriate provision for the payment unto the holders of the bonds the principal, premium, if any, and interest to become due thereon at the times and in the manner stipulated therein and shall keep, perform and observe all and singular the covenants, agreements and provisions in the Mortgage expressed to be kept, performed and observed by or on the part of the Company, then the Mortgage and the estate and rights hereby granted shall, pursuant to the provisions of the Mortgage, cease, determine and be void, but otherwise shall be and remain in full force and effect.

The Company hereby declares that it holds and will hold and apply all property described in (ix) and (x) above as specifically reserved and excepted upon the trusts herein set forth and as the Trustee (or any purchaser thereof upon any sale thereof hereunder) shall for such purpose direct from time to time, to the fullest extent permitted by law or in equity, as fully as if the same could be and had been hereby granted, conveyed, mortgaged, transferred and assigned to and vested in the Trustee.

And it is hereby covenanted, declared and agreed, upon the trusts and for the purposes aforesaid, as set forth in the following covenants, agreements, conditions and provisions, viz.:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. DEFINITIONS.

For all purposes of this Mortgage, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(b) all terms used herein without definition which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(c) all terms used herein without definition which are defined in the Uniform Commercial Code of New Hampshire as in effect on the First Effective Date shall have the meanings assigned to them therein;

(d) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States at the date of such computation or, at the election of

the Company from time to time, at the First Effective Date; provided, however, that in determining generally accepted accounting principles applicable to the Company, effect shall be given, to the extent required, to any order, rule or regulation of any administrative agency, regulatory authority or other governmental body having jurisdiction over the Company; and provided, further, that to the extent the Company elects to use a computation that is not based on accounting principles that are generally accepted in the United States on the date of such computation, the Company shall so state and shall certify that such principles were in effect at the First Effective Date;

(e) the table of contents and headings are for reference purposes only and shall not in any way affect the meaning or interpretation of this Mortgage.

(f) The terms and provisions hereof that have no force or effect before the Second Effective Date shall not in any way affect the meaning or interpretation of any provisions hereof that shall be in effect on and after the First Effective Date and, correspondingly, the terms and provisions hereof that have no force and effect after the Second Effective Date shall not in any way affect the meaning or interpretation of any provisions hereof that shall be in effect on and after the Second Effective Date;

(g) any reference to an “Article” or a “Section” refers to an Article or a Section, as the case may be, of this Mortgage; and

(h) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Mortgage as a whole and not to any particular Article, Section or other subdivision.

“ACCOUNTANT” means a person engaged in the accounting profession or otherwise qualified to pass on accounting matters (including, but not limited to, a Person certified or licensed as a public accountant, whether or not then engaged in the public accounting profession), which Person, unless required to be Independent, may be an employee or Affiliate of the Company.

“ACT”, when used with respect to any Holder of a Security, has the meaning specified in Section 105.

“AFFILIATE” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “CONTROL” when used with respect to any specified Person means the power to direct generally the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “CONTROLLING” and “CONTROLLED” have meanings correlative to the foregoing.

“AUTHENTICATING AGENT” means any Person or Persons (other than the Company or an Affiliate of the Company) authorized by the Trustee to act on behalf of the Trustee to authenticate the Securities of one or more series.

“AUTHORIZED OFFICER” means the Chairman of the Board, the Vice Chairman, the President, any Vice President, the Treasurer, any Assistant Treasurer, or any other officer, manager or agent of the Company duly authorized pursuant to a Board Resolution to act in respect of matters relating to this Mortgage.

“AVAILABLE CASH”, at any time, shall mean all cash then held by, or deposited with, the Trustee other than cash so held or deposited pursuant to Section 307 or Article Eight.

“BOARD OF DIRECTORS” means either the board of directors, board of managers or similar governing body of the Company or any committee thereof duly authorized to act in respect of matters relating to this Mortgage.

“BOARD RESOLUTION” means a copy of a resolution certified by the Secretary, an Assistant Secretary or an Authorized Officer of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“BUSINESS DAY”, when used with respect to a Place of Payment or any other particular location specified in the Securities or this Mortgage, means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in such Place of Payment or other location, or in the place in which the Corporate Trust Office is located, are generally authorized or required by law, regulation or executive order to remain closed, except as may be otherwise specified as contemplated by Section 301.

“CAPITALIZED LEASE LIABILITIES” means, with respect to any Person, the amount, if any, shown as liabilities on such Person’s unconsolidated balance sheet for capitalized leases of electric transmission and distribution property not owned by such Person, which amount shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which such Person is engaged.

“COMMISSION” means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the First Effective Date such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body, if any, performing such duties at such time.

“COMPANY” means the Person named as the “Company” in the first paragraph of this Mortgage until a successor Person shall have become such pursuant to the applicable provisions of this Mortgage, and thereafter “Company” shall mean such successor Person.

“COMPANY ORDER” or “COMPANY REQUEST” mean, respectively, a written order or request, as the case may be, signed in the name of the Company by an Authorized Officer and delivered to the Trustee.

“CORPORATE TRUST OFFICE” means the office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the First Effective Date is located at 21 South Street, 3rd Floor, Morristown, New Jersey 07960.

“CORPORATION” means a corporation, association, company, limited liability company, partnership, limited partnership, joint stock company or business trust, and references to “corporate” and other derivations of “corporation” herein shall be deemed to include appropriate derivations of such entities.

“COST” with respect to Property Additions has the meaning specified in Section 102.

“DEBT”, with respect to any Person, means, without duplication, (A) indebtedness of such Person for borrowed money evidenced by a bond, debenture, note or other written instrument or agreement by which such Person is obligated to repay such borrowed money, (B) any guaranty by such Person of any such indebtedness of another Person, and (C) any Capitalized Lease Liabilities of such Person. “Debt” does not include, among other things, (v) indebtedness of such person under any installment sale or conditional sale agreement or any other agreement relating to indebtedness for the deferred purchase price of property or services, (w) any trade obligation (including obligations under power or other commodity purchase agreements and any hedges or derivatives associated therewith), or other obligations of such Person in the ordinary course of business, (x) obligations of such Person under any lease agreement that are not Capitalized Lease Liabilities, (y) any Liens securing indebtedness, neither assumed nor guaranteed by such Person nor on which it customarily pays interest, existing upon real estate or rights in or relating to real estate acquired by such Person for substation, transmission line, transportation line, distribution line or right of way purposes or (z) any Rate Reduction Bonds or other obligations which are non-recourse to such Person.

“DEFAULTED INTEREST” has the meaning specified in Section 307.

“DISCOUNT SECURITY” means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 902. “Interest” with respect to a Discount Security means interest, if any, borne by such Security at a Stated Interest Rate.

“DOLLAR” or “\$” means a dollar or other equivalent unit in such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts.

“ELECTRIC UTILITY PROPERTY” means any facilities, machinery, equipment and fixtures for the generation, transmission and distribution of electric energy, including electric generating facilities switchyards, towers, substations, transformers, poles, lines, cable, conduits, ducts, conductors, meters, regulators and all other property of the Company, real or personal, or improvements, extensions, additions, renewals or replacements of the foregoing, in each case used or useful or to be used in or in connection with the business of generating, transmitting and distributing electric energy of the character described in the Granting Clauses of this Mortgage, whether owned by the Company at the First Effective Date or hereafter acquired (other than Excepted Property with respect to all of the property described in this definition).

“ELIGIBLE OBLIGATIONS” means:

- (a) with respect to Securities denominated in Dollars, Government Obligations or, if specified pursuant to Section 301 with respect to any Securities, other Investment Securities; or
- (b) with respect to Securities denominated in a currency other than Dollars or in a composite currency, such other obligations or instruments as shall be specified with respect to such Securities, as contemplated by Section 301.

“EVENT OF DEFAULT” has the meaning specified in Section 901.

“EXCEPTED PROPERTY”, has the meaning specified in the Exceptions clauses portion of the Granting clauses of this Mortgage.

“EXCHANGE ACT” means the Securities Exchange Act of 1934, as amended.

“EXPERT” means a Person which is an engineer, appraiser or other expert and which, with respect to any certificate to be signed by such Person and delivered to the Trustee, is qualified to pass upon the matters set forth in such certificate. For purposes of this definition, (a) “engineer” means a Person engaged in the engineering profession or otherwise qualified to pass upon engineering matters (including, but not limited to, a Person licensed as a professional engineer, whether or not then engaged in the engineering profession) and (b) “appraiser” means a Person engaged in the business of appraising property or otherwise qualified to pass upon the Fair Value or fair market value of property.

“EXPERTS’ CERTIFICATE” means a certificate signed by an Authorized Officer, by an Accountant and by an Expert (which Accountant and Expert (a) shall be selected either by the Board of Directors or by an Authorized Officer, the execution of such certificate by such Authorized Officer to be conclusive evidence of such selection, and (b) except as otherwise required in Sections 401 and 1610, may be an employee or Affiliate of the Company) and delivered to the Trustee. In any such Experts’ Certificate, the Expert shall be required to state that it is qualified to pass upon the matters set forth in such certificate. The amount stated in any Experts’ Certificate as to the Cost, Fair Value or fair market value of property shall be conclusive and binding upon the Company, the Trustee and the Holders of the Securities.

“FAIR VALUE”, with respect to property, means the fair value of such property as determined in the reasonable judgment of the Expert certifying to such value, such determination to be based on any one or more factors deemed relevant by such Expert including, without limitation, (a) the amount which would be likely to be obtained in an arm’s-length transaction with respect to such property between an informed and willing buyer and an informed and willing seller, under no compulsion, respectively, to buy or sell, (b) the amount of investment with respect to such property which, together with a reasonable return thereon, would be likely to be recovered through ordinary business operations or otherwise, (c) the Cost, accumulated depreciation, and replacement cost with respect to such property and/or (d) any other relevant factors; provided, however, that (x) the Fair Value of property shall be determined without deduction for any Liens on such property prior to the Lien of this Mortgage (except as otherwise provided in Section 1603) and (y) the Fair Value to the Company of Property Additions may be of less value to a Person which is not the owner or operator of the Mortgaged Property or any portion thereof than to a Person which is such owner or operator. Fair Value may be determined, without physical inspection, by the use of accounting and engineering records and other data maintained by the Company or otherwise available to the Expert certifying the same.

“FIRST EFFECTIVE DATE” means June 1, 2011.

“GOVERNMENTAL AUTHORITY” means the government of the United States or of any State or Territory thereof or of the District of Columbia or of any county, municipality or other political subdivision of any thereof, or any department, agency, authority or other instrumentality of any of the foregoing.

“GOVERNMENT OBLIGATIONS” means securities which are (a) (i) direct obligations of the United States where the payment or payments thereunder are supported by the full faith and credit of the United States or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States where the timely payment or payments thereunder are unconditionally guaranteed as a full faith and credit obligation by the United States or (b) depository receipts issued by a bank (as defined in Section 3(a)(2) of the Securities Act, which may include the Trustee or any Authenticating Agent or Paying Agent) as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of or other amount with respect to any such Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of or other amount with respect to the Government Obligation evidenced by such depository receipt.

“HOLDER” means a Person in whose name a Security is registered in the Security Register.

“INDEPENDENT”, when applied to any Accountant or Expert, means such a Person who (a) is in fact independent, (b) does not have any direct material financial interest in the Company or in any other obligor upon the Securities or in any Affiliate of the Company or of such other obligor and (c) is not connected with the Company or such other obligor as an officer, employee, promoter, underwriter, trustee, partner, director or any person performing similar functions.

“INDEPENDENT EXPERTS’ CERTIFICATE” means a certificate signed by an Expert who is Independent and delivered to the Trustee.

“INTEREST” with respect to a Discount Security means interest, if any, borne by such Security at a Stated Interest Rate rather than interest calculated at any imputed rate.

“INTEREST PAYMENT DATE”, when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

“INVESTMENT SECURITIES” means any of the following obligations or securities on which neither the Company, any other obligor on the Securities nor any Affiliate of either is the obligor: (a) Government Obligations; (b) interest bearing deposit accounts (which may be represented by certificates of deposit) in any national or state bank (which may include the Trustee or any Authenticating Agent or Paying Agent) or savings and loan association whose outstanding securities (or securities of the bank holding company owning all of the capital stock of such bank or savings and loan association) are rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short-term securities or in any of the three highest rating categories (without regard to modifiers) for long-term securities; (c) bankers’ acceptances drawn on and accepted by any commercial bank (which may include the Trustee or any Authenticating Agent or Paying Agent) whose outstanding securities (or securities of the bank holding company owning all of the capital stock of such commercial bank) are rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short-term securities or in any of the three highest rating categories (without regard to modifiers) for long-term securities; (d) direct obligations of, or obligations the

principal of and interest on which are unconditionally guaranteed by, any State or Territory of the United States or the District of Columbia, or any political subdivision of any of the foregoing, which are rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short-term securities or in any of the three highest rating categories (without regard to modifiers) for long-term securities; (e) bonds or other obligations of any agency or instrumentality of the United States; (f) corporate debt securities which are rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short-term securities or in any of the three highest rating categories (without regard to modifiers) for long-term securities; (g) repurchase agreements with respect to any of the foregoing obligations or securities with any banking or financial institution (which may include the Trustee or any Authenticating Agent or Paying Agent) whose outstanding securities (or securities of the bank holding company owning all of the capital stock of such bank or financial institution) are rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short-term securities or in any of the three highest rating categories (without regard to modifiers) for long-term securities; (h) securities issued by any regulated investment company (including any investment company for which the Trustee or any Authenticating Agent or Paying Agent is the advisor), as defined in Section 851 of the Internal Revenue Code of 1986, as amended, or any successor section of such Code or successor federal statute, provided that the portfolio of such investment company is limited to obligations or securities of the character and investment quality contemplated in clauses (a) through (f) above and repurchase agreements which are fully collateralized by any of such obligations or securities; and (i) any other obligations or securities which may lawfully be purchased by the Trustee in its capacity as such.

“LIEN” means any mortgage, deed of trust, pledge, security interest, encumbrance, easement, lease, reservation, restriction, servitude, charge or similar right and any other lien of any kind, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof, and any defect, irregularity, exception or limitation in record title.

“MATURITY”, when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as provided in such Security or in this Mortgage, whether at the Stated Maturity, by declaration of acceleration, upon call for redemption or otherwise.

“MORTGAGE” means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more Mortgages supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental Mortgage, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this Mortgage and any such supplemental Mortgage, respectively. The term “Mortgage” shall also include the provisions or terms of particular series of Securities established in any Officers’ Certificate, Board Resolution or Company Order delivered pursuant to Sections 201, 301, 303 and 1307.

“MORTGAGED PROPERTY” or “trust estate” means, as of any particular time, all property which at such time is subject to the Lien of this Mortgage.

“NOTICE OF DEFAULT” means a written notice of the kind specified in Section 901(c).

“OFFICERS’ CERTIFICATE” means a certificate signed by any two Authorized Officers of the Company and delivered to the Trustee.

“OPINION OF COUNSEL” means a written opinion of counsel, who may be counsel for the Company (including an employee or Affiliate of the Company).

“OUTSTANDING”, when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Mortgage, except:

- (a) Securities theretofore canceled or delivered to the Security Registrar for cancellation;
- (b) Securities deemed to have been paid for all purposes of this Mortgage in accordance with Section 801 (whether or not the Company’s indebtedness in respect thereof shall be satisfied and discharged for any other purpose); and
- (c) Securities, the principal, premium, if any, and interest, if any, which have been fully paid pursuant to the third paragraph of Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Mortgage, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it and the Company that such Securities are held by a bona fide purchaser or purchasers in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether or not the Holders of the requisite principal amount of the Securities Outstanding under this Mortgage, or the Securities Outstanding of any series or Tranche, have given any request, demand, authorization, direction, notice, consent or waiver hereunder or whether or not a quorum is present at a meeting of Holders of Securities,

(x) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor (unless the Company, such Affiliate or such obligor owns all Securities Outstanding under this Mortgage, or (except for the purposes of actions to be taken by Holders of more than one series or more than one Tranche, as the case may be, voting as a class under Section 1302) all Securities Outstanding of each such series and each such Tranche, as the case may be, determined without regard to this clause (x)) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver or upon any such determination as to the presence of a quorum, only Securities which the Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded; provided, however, that Securities so owned which have been pledged in good faith may be regarded as Outstanding if it is established to the reasonable satisfaction of the Trustee that the pledgee, and not the Company, or any such other obligor or Affiliate of either thereof, has the right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor; and provided, further, that in no event shall any Security which shall have been delivered to evidence or secure, in whole or in part, the Company’s obligations in respect of other indebtedness be deemed to be owned by the Company if the principal of such Security is payable, whether at Stated Maturity or upon mandatory redemption, at the same time as the principal of such other indebtedness is payable, whether at Stated Maturity or

upon mandatory redemption or acceleration, but only to the extent of such portion of the principal amount of such Security as does not exceed the principal amount of such other indebtedness, and

(y) the principal amount of a Discount Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 902; and

(z) the principal amount of any Security which is denominated in a currency other than Dollars or in a composite currency that shall be deemed to be Outstanding for such purposes shall be the amount of Dollars which could have been purchased by the principal amount (or, in the case of a Discount Security, the Dollar equivalent on the date determined as set forth below of the amount determined as provided in (y) above) of such currency or composite currency evidenced by such Security, in each such case certified to the Trustee in an Officers' Certificate, based (i) on the average of the mean of the buying and selling spot rates quoted by three banks which are members of the New York Clearing House Association selected by the Company in effect at 11:00 A.M. (New York time) in The City of New York on the fifth Business Day preceding any such determination or (ii) if on such fifth Business Day it shall not be possible or practicable to obtain such quotations from such three banks, on such other quotations or alternative methods of determination which shall be as consistent as practicable with the method set forth in (i) above;

provided, further, that in the case of any Security the principal of which is payable from time to time without presentment or surrender, the principal amount of such Security that shall be deemed to be Outstanding at any time for all purposes of this Mortgage shall be the original principal amount thereof less the aggregate amount of principal thereof theretofore paid.

“OUTSTANDING”, when used with respect to Secured Debt, means, as of the date of determination, all Secured Debt authenticated and delivered by the trustee or other holder of the Prior Lien securing the same or, if there be no such trustee or other holder, theretofore made and delivered or incurred by the Company, except:

(a) Secured Debt theretofore cancelled or delivered to the trustee or other holder of any such Prior Lien for cancellation;

(b) Secured Debt which has been fully paid or deemed to have been fully paid;

(c) Secured Debt held by the Trustee subject to the provisions of Section 1608 hereof;

(d) Secured Debt held by the trustee or other holder of a Prior Lien upon the same property as that mortgaged or pledged to secure the Secured Debt so held (under conditions such that no transfer of ownership or possession of such Secured Debt by the trustee or other holder of such Prior Lien is permissible otherwise than to the Trustee to be held subject to the provisions of Section 1608 hereof, or to the trustee or other holder of some other Prior Lien upon the same property for cancellation or to be held uncanceled under the terms of such other Prior Lien under like conditions);

(e) Secured Debt secured by a Prepaid Lien; and

(f) lost, stolen or destroyed Secured Debt in lieu of or in substitution for which other Secured Debt shall have been authenticated and delivered.

“PAYING AGENT” means any Person, including the Company, authorized by the Company to pay the principal of, and premium, if any, or interest, if any, on any Securities on behalf of the Company.

“PERIODIC OFFERING” means an offering of Securities of a series from time to time any or all of the specific terms of which Securities, including without limitation the rate or rates of interest, if any, thereon, the Stated Maturity or Maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Company or its agents from time to time subsequent to the initial request for the authentication and delivery of such Securities by the Trustee, as contemplated in Section 301 and clause (b) of Section 303.

“PERMITTED LIENS” means with respect to the Mortgaged Property, any of the following:

- (a) Liens existing as of the First Effective Date;
- (b) as to property acquired by the Company after the First Effective Date, Liens existing or placed thereon at the time of the acquisition thereof (including, but not limited to, any Prior Lien);
- (c) Liens for taxes, use charges, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith by appropriate proceedings;
- (d) mechanics', workmen's, repairmen's, materialmen's, warehousemen's, and carriers' Liens, other Liens incident to construction, Liens or privileges of any employees of the Company for salary or wages earned, but not yet payable, and other Liens, including without limitation Liens for worker's compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings;
- (e) Liens in respect of attachments, judgments or awards arising out of judicial or administrative proceedings (i) in an amount not exceeding the greater of (A) \$10,000,000 and (B) 3% of the aggregate principal amount of all Securities and Secured Debt then Outstanding or (ii) with respect to which the Company shall (X) in good faith be prosecuting an appeal or other proceeding for review and with respect to which the Company shall have secured a stay of execution pending such appeal or other proceeding or (Y) have the right to prosecute an appeal or other proceeding for review;
- (f) easements, leases, reservations or other rights of others in, on, over and/or across, and laws, regulations and restrictions affecting, and defects, irregularities, exceptions and limitations in title to, the Mortgaged Property or any part thereof; provided, however, that such easements, leases, reservations, rights, laws, regulations, restrictions, defects, irregularities, exceptions and limitations do not in the aggregate materially impair

the use by the Company of the Mortgaged Property considered as a whole for the purposes for which it is held by the Company;

(g) defects, irregularities, exceptions and limitations in title to real property subject to rights-of-way in favor of the Company or otherwise or used or to be used by the Company primarily for right-of-way purposes or real property held under lease, easement, license or similar right; provided, however, that (i) the Company shall have obtained from the apparent owner or owners of such real property a sufficient right, by the terms of the instrument granting such right-of-way, lease, easement, license or similar right, to the use thereof for the purposes for which the Company acquired the same; or (ii) the Company has power under eminent domain or similar statutes to remove such defects, irregularities, exceptions or limitations; or (iii) such defects, irregularities, exceptions and limitations may be otherwise remedied without undue effort or expense; and defects, irregularities, exceptions and limitations in title to reclaimed lands, flood lands, flooding rights and/or water rights;

(h) Liens securing indebtedness or other obligations neither created, assumed nor guaranteed by the Company nor on account of which it customarily pays interest upon real property or rights in or relating to real property acquired by the Company for the purpose of the generation, transmission or distribution of electric energy, gas or water, for the purpose of telephonic, telegraphic, radio, wireless or other electronic communication or otherwise for the purpose of obtaining rights-of-way or for any other purposes;

(i) leases existing as of the First Effective Date affecting properties owned by the Company at said date and renewals and extensions thereof; and leases affecting such properties entered into after such date or affecting properties acquired by the Company after such date which, in either case, (i) have respective terms of not more than 10 years (including extensions or renewals at the option of the tenant) or (ii) do not materially impair the use by the Company of such properties for the respective purposes for which they are held by the Company;

(j) Liens vested in lessors, licensors, franchisors or permitters for rent or other amounts to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses, franchises or permits, so long as the payment of such rent or other amounts or the performance of such other obligations or acts is not delinquent or is being contested in good faith and by appropriate proceedings;

(k) controls, restrictions, obligations, duties and/or other burdens imposed by federal, state, municipal or other law, or by rules, regulations or orders of Governmental Authorities, upon the Mortgaged Property or any part thereof or the operation or use thereof or upon the Company with respect to the Mortgaged Property or any part thereof or the operation or use thereof or with respect to any franchise, grant, license, permit or public purpose requirement, or any rights reserved to or otherwise vested in Governmental Authorities to impose any such controls, restrictions, obligations, duties and/or other burdens;

(l) rights which Governmental Authorities may have by virtue of franchises, grants, licenses, permits or contracts, or by virtue of law, to take, condemn, appropriate, occupy, purchase, recapture or designate a purchaser of or order the sale of the Mortgaged Property or any part thereof, to terminate franchises, grants, licenses, permits, contracts or other rights or to regulate the property and business of the Company; and any and all obligations of the Company correlative to any such rights;

(m) Liens required by law or governmental regulations (i) as a condition to the transaction of any business or the exercise of any privilege or license, (ii) to enable the Company to maintain self-insurance or to participate in any funds established to cover any insurance risks, (iii) in connection with workmen's compensation, unemployment insurance, social security, any pension or welfare benefit plan or (iv) to share in the privileges or benefits required for companies participating in one or more of the arrangements described in clauses (ii) and (iii) above;

(n) Liens on the Mortgaged Property or any part thereof which are granted by the Company to secure duties or public or statutory obligations or to secure, or serve in lieu of, surety, stay or appeal bonds;

(o) rights reserved to or vested in others to take or receive any part of any coal, ore, gas, oil and other minerals, any timber and/or any electric capacity or energy, gas, water, steam and any other products, developed, produced, manufactured, generated, purchased or otherwise acquired by the Company or by others on property of the Company;

(p) (i) rights and interests of Persons other than the Company arising out of contracts, agreements and other instruments to which the Company is a party and which relate to the common ownership or joint use of property; and (ii) all Liens on the interests of Persons other than the Company in property owned in common by such Persons and the Company;

(q) any restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public service corporation;

(r) Liens, if any, which may be deemed to exist with respect to property leased by the Company pursuant to leases which are treated under generally accepted accounting principles as capital leases;

(s) any Liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made;

(t) rights and interests granted pursuant to Section 1602(c);

(u) Prepaid Liens;

(v) any Liens, claims, encumbrances, rights, or interests of Persons claiming such rights, interests, etc. as descendants of American Indians or as Indian Tribes, whether pursuant to the Non-Intercourse Act of 1834 (25 U.S.C. § 177) or otherwise; and

(w) any Lien of the Trustee granted pursuant to Section 1007.

“PERSON” means any individual, corporation, joint venture, limited liability company, trust or unincorporated organization or any Governmental Authority.

“PLACE OF PAYMENT”, when used with respect to the Securities of any series, or Tranche thereof, means the place or places, specified as contemplated by Section 301, at which, subject to Section 702, principal of and premium, if any, and interest, if any, on the Securities of such series or Tranche are payable.

“PREDECESSOR SECURITY” of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

“PREPAID LIENS” means any Lien securing indebtedness for the payment of which money in the necessary amount shall have been irrevocably deposited in trust with the trustee or other holder of such Lien; provided, however, that if such indebtedness is to be redeemed or otherwise prepaid prior to the stated maturity thereof, any notice requisite to such redemption or prepayment shall have been given in accordance with the mortgage or other instrument creating such Lien or irrevocable instructions to give such notice shall have been given to such trustee or other holder.

“PRIOR LIEN” means any Lien securing Secured Debt.

“PROPERTY ADDITIONS” has the meaning specified in Section 102.

“PURCHASE MONEY LIEN” means, with respect to any property being acquired or disposed of by the Company or being released from the Lien of this Mortgage, a Lien on such property which

(a) is taken or retained by the transferor of such property to secure all or part of the purchase price thereof;

(b) is granted to one or more Persons other than the transferor which, by making advances or incurring an obligation, give value to enable the grantor of such Lien to acquire rights in or the use of such property;

(c) is granted to any other Person in connection with the release of such property from the Lien of this Mortgage on the basis of the deposit with the Trustee or the trustee or other holder of a Lien prior to the Lien of this Mortgage of obligations secured by such Lien on such property (as well as any other property subject thereto);

(d) is held by a trustee or agent for the benefit of one or more Persons described in clause (a), (b) and/or (c) above, provided that such Lien may be held, in addition, for the benefit of one or more other Persons which shall have theretofore given, or may thereafter give, value to or for the benefit or account of the grantor of such Lien for one or more other purposes; or

(e) otherwise constitutes a purchase money mortgage or a purchase money security interest under applicable law; and, without limiting the generality of the foregoing, for purposes of this Mortgage, the term Purchase Money Lien shall be deemed to include any Lien described above whether or not such Lien (x) shall permit the issuance or other incurrence of additional indebtedness secured by such Lien on such property, (y) shall permit the subjection to such Lien of additional property and the issuance or other incurrence of additional indebtedness on the basis thereof and/or (z) shall have been granted prior to the acquisition, disposition or release of such property, shall attach to or otherwise cover property other than the property being acquired, disposed of or released and/or shall secure obligations issued prior and/or subsequent to the issuance of the obligations delivered in connection with such acquisition, disposition or release.

“RATE REDUCTION BOND” means notes or bonds issued on behalf of the Company that are wholly or partially secured by Rate Reduction Bond Property or are unsecured and with respect to which no recourse may be had to the Company or its assets for the payment of principal, premium or interest, except for the Rate Reduction Bond Property securing such notes or bonds.

“RATE REDUCTION BOND PROPERTY” means all charges, receivables, similar amounts or any other property of the Company authorized by appropriate State or other legislation, order, rule, statute, decree or judgment to be collected by the Company or any other party from its customers or any other party as security for, or to assure the payment of principal of, and premium and interest on, Rate Reduction Bonds and obligations relating thereto.

“REDEMPTION DATE”, when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Mortgage.

“REDEMPTION PRICE”, when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Mortgage, exclusive of accrued and unpaid interest.

“REGULAR RECORD DATE” for the interest payable on any Interest Payment Date on the Securities of any series means the date specified for that purpose as contemplated by Section 301.

“REQUIRED CURRENCY” has the meaning specified in Section 311.

“RESPONSIBLE OFFICER”, when used with respect to the Trustee, means any officer within the corporate trust administration group of the Trustee (or any successor group of the Trustee) with direct responsibility for the administration of this Mortgage and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“SALE AND LEASE BACK TRANSACTION” means any arrangement with any Person providing for the leasing to the Company of any Mortgaged Property (except for leases for a term, including any renewal thereof, of not more than forty-eight (48) months), which Mortgaged Property has been or is to be sold or transferred by the Company to such Person.

“SECOND EFFECTIVE DATE” means the earliest date on which the Holders of all Securities then Outstanding shall have consented (or shall be deemed to have consented) to the amendment of this Mortgage substantially in the form that the Mortgage shall have become effective on the First Effective Date with such changes thereafter as are permitted by the terms hereof; provided, however, that the Holders of all Securities issued after the First Effective Date shall automatically be deemed to have so consented.

“SECURED DEBT” means Debt, other than Securities, created, issued, incurred or assumed by the Company that is secured by a Lien, other than a Permitted Lien (except for clause (b) of the definition thereof), upon any Mortgaged Property of the Company prior to or on a parity with the Lien of this Mortgage (including Debt that is secured by a Lien prior to or on a parity with the Lien of this Mortgage existing on property acquired by the Company after the First Effective Date or placed thereon at the time of such acquisition thereof).

“SECURITIES” means any securities authenticated and delivered under this Mortgage.

“SECURITIES ACT” means the Securities Act of 1933, as amended.

“SECURITY REGISTER” AND “SECURITY REGISTRAR” have the respective meanings specified in Section 305.

“SPECIAL RECORD DATE” for the payment of any Defaulted Interest on the Securities of any series means a date fixed by the Trustee pursuant to Section 307.

“STATED INTEREST RATE” means a rate (whether fixed or variable) at which an obligation by its terms is stated to bear simple interest. Any calculation or other determination to be made under this Mortgage by reference to the Stated Interest Rate on a Security shall be made without regard to the effective interest cost to the Company of such Security and without regard to the Stated Interest Rate on, or the effective cost to the Company of, any other indebtedness the Company’s obligations in respect of which are evidenced or secured in whole or in part by such Security.

“STATED MATURITY”, when used with respect to any Security or any obligation or any installment of principal thereof or interest thereon, means the date on which the principal of such obligation or such installment of principal or interest is stated to be due and payable (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension).

“SUCCESSOR COMPANY” has the meaning set forth in Section 1201.

“SUPPLEMENTAL MORTGAGE”, “SUPPLEMENTAL INDENTURE” or “MORTGAGE SUPPLEMENTAL HERETO” means an instrument supplementing or amending this Mortgage executed and delivered pursuant to Article Thirteen.

“TRANCHE” means a group of Securities which (a) are of the same series and (b) have identical terms except as to principal amount, date of issuance, interest rate, payment terms and/or maturity date.

“TRUST ESTATE”— see definition of Mortgaged Property.

“TRUSTEE” means the Person named as the “Trustee” in the first paragraph of this Mortgage until a successor Trustee shall have been appointed by the Company pursuant to Section 1010 or otherwise have become such with respect to one or more series of Securities pursuant to the applicable provisions of this Mortgage, and thereafter “Trustee” shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, “Trustee” as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

“TRUST INDENTURE ACT” means, as of any time, the Trust Indenture Act of 1939 as in effect at such time.

“UNITED STATES” means the United States of America, its territories, its possessions and other areas subject to its jurisdiction.

SECTION 102. PROPERTY ADDITIONS; COST.

(a) “PROPERTY ADDITIONS” means, as of any particular time, any item, unit or element of property which at such time is owned by the Company and is Mortgaged Property.

(b) When the aggregate amount of any Property Additions are calculated for any purpose under the Mortgage, there shall be deducted from the Cost or Fair Value to the Company thereof, as the case may be (as of the date so calculated), an amount equal to all related reserves (estimated, if necessary, as to particular property) for depreciation, depletion, obsolescence or amortization recorded on the books of the Company as of the date so calculated in respect of such Property Additions which have not theretofore been deducted from the Cost or Fair Value of Property Additions theretofore so calculated.

(c) Except as otherwise provided in Section 1603, the term “COST” with respect to Property Additions shall mean the sum of (i) any cash delivered in payment therefor or for the acquisition thereof, (ii) an amount equivalent to the fair market value in cash (as of the date of delivery) of any securities or other property delivered in payment therefor or for the acquisition thereof, (iii) the principal amount of any obligations secured by a Prior Lien upon such Property Additions outstanding at the time of the acquisition thereof, (iv) the principal amount of any other obligations incurred or assumed in connection with the payment for such Property Additions or for the acquisition thereof and (v) any other amounts which, in accordance with generally accepted accounting principles, are properly charged or chargeable to the plant or other property accounts of the Company with respect to such Property Additions as part of the cost of construction or acquisition thereof, including, but not limited to, any allowance for funds used during construction or any similar or analogous amount; provided, however, that, notwithstanding any other provision of this Mortgage,

(i) with respect to Property Additions owned by a successor corporation immediately prior to the time it shall have become such by consolidation or merger or acquired by a successor corporation in or as a result of a consolidation or merger (excluding, in any case, Property Additions owned by the Company immediately prior to such time), Cost shall mean the amount or amounts at which such Property Additions are recorded in the plant or other property accounts of such successor corporation, or the predecessor corporation from which such Property Additions are acquired, as the case may be, immediately prior to such consolidation or merger;

(ii) with respect to Property Additions which shall have been acquired (otherwise than by construction) by the Company without any consideration consisting of cash, securities or other property or the incurring or assumption of indebtedness, no determination of Cost shall be required, and, wherever in this Mortgage provision is made for Cost or Fair Value, Cost with respect to such Property Additions shall mean an amount equal to the Fair Value to the Company thereof or, if greater, the aggregate amount reflected in the Company's books of account with respect thereto upon the acquisition thereof; and

(iii) in no event shall the Cost of Property Additions be required to reflect any adjustment to the amount or amounts at which such Property Additions are recorded in plant or other property accounts due to the non-recoverability of investment or otherwise.

If any Property Additions are shown by the Experts' Certificate provided for in Section 401(b)(ii) to include property which has been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company, the Cost thereof need not be reduced by any amount in respect of any goodwill, going concern value, franchises, contracts, operating agreements and other rights and/or intangible property simultaneously acquired for which no separate or distinct consideration shall have been paid or apportioned, and in such case the term Property Additions as defined herein may include such goodwill, going concern value rights and intangible property.

SECTION 103. COMPLIANCE CERTIFICATES AND OPINIONS.

Except as otherwise expressly provided in this Mortgage, upon any application or request by the Company to the Trustee to take any action under any provision of this Mortgage, the Company shall furnish to the Trustee an Officers' Certificate stating that in the opinion of the Authorized Officers executing such Officers' Certificate all conditions precedent, if any, provided for in this Mortgage relating to the proposed action (including any covenants compliance with which constitutes a condition precedent) have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Mortgage relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Mortgage shall include:

(a) a statement that each Person signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such Person, such Person has made such examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such Person, such condition or covenant has been complied with.

SECTION 104. FORM OF DOCUMENTS DELIVERED TO TRUSTEE.

(a) Any Officers' Certificate may be based (without further examination or investigation), insofar as it relates to or is dependent upon legal matters, upon an opinion of, or representations by, counsel, and, insofar as it relates to or is dependent upon matters which are subject to verification by Accountants, upon a certificate or opinion of, or representations by, an Accountant, and insofar as it relates to or is dependent upon matters which are required in this Mortgage to be covered by a certificate or opinion of, or representations by, an Expert, upon the certificate or opinion of, or representations by, an Expert, unless, in any case, either such officer has actual knowledge that the certificate or opinion or representations with respect to the matters upon which such Officers' Certificate may be based as aforesaid are erroneous.

Any Experts' Certificate may be based (without further examination or investigation), insofar as it relates to or is dependent upon legal matters, upon an opinion of, or representations by, counsel, and insofar as it relates to or is dependent upon factual matters, information with respect to which is in the possession of the Company and which are not subject to verification by Experts, upon a certificate or opinion of, or representations by, an officer or officers of the Company, unless such expert has actual knowledge that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous.

Any certificate of an Accountant may be based (without further examination or investigation), insofar as it relates to or is dependent upon legal matters, upon an opinion of, or representations by, counsel, and in so far as it relates to or is dependent upon factual matters, information with respect to which is in the possession of the Company and which are not subject to verification by Accountants, upon a certificate of, or representations by, an officer or officers of the Company, unless such Accountant has actual knowledge that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous.

Any Opinion of Counsel may be based (without further examination or investigation), insofar as it relates to or is dependent upon factual matters, information with respect to which is in the possession of the Company, upon a certificate of, or representations by, an officer or officers of the Company, and, insofar as it relates to or is dependent upon matters which are subject to verification by Accountants upon a certificate or opinion of, or representations by, an Accountant, and, insofar as it relates to or is dependent upon matters required in this Mortgage to be covered by a certificate or opinion of, or representations by, an Expert, upon the certificate or opinion of, or

representations by, an Expert, unless such counsel has actual knowledge that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous. In addition, any Opinion of Counsel may be based (without further examination or investigation), insofar as it relates to or is dependent upon matters covered in an Opinion of Counsel rendered by other counsel, upon such other Opinion of Counsel, unless such counsel has actual knowledge that the Opinion of Counsel rendered by such other counsel with respect to the matters upon which his Opinion of Counsel may be based as aforesaid are erroneous. Further, any Opinion of Counsel with respect to the status of title to or the sufficiency of descriptions of property, and/or the existence of Liens thereon, and/or the recording or filing of documents, and/or any similar matters, may be based (without further examination or investigation) upon (i) title insurance policies or commitments and reports, abstracts of title, lien search certificates and other similar documents or (ii) certificates of, or representations by, officers, employees, agents and/or other representatives of the Company or (iii) any combination of the documents referred to in (i) and (ii), unless, in any case, such counsel has actual knowledge that the document or documents with respect to the matters upon which his opinion may be based as aforesaid are erroneous. If, in order to render any Opinion of Counsel provided for herein, the signer thereof shall deem it necessary that additional facts or matters be stated in any Officers' Certificate, certificate of an Accountant or Experts' Certificate provided for herein, then such certificate may state all such additional facts or matters as the signer of such Opinion of Counsel may request.

(b) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents. Where (i) any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Mortgage, or (ii) two or more Persons are each required to make, give or execute any such application, request, consent, certificate, statement, opinion or other instrument, any such applications, requests, consents, certificates, statements, opinions or other instruments may, but need not, be consolidated and form one instrument.

(c) Whenever, subsequent to the receipt by the Trustee of any Board Resolution, Officers' Certificate, Experts' Certificate, Opinion of Counsel or other document or instrument, a clerical, typographical or other inadvertent or unintentional error or omission shall be discovered therein, a new document or instrument may be substituted therefor in corrected form with the same force and effect as if originally filed in the corrected form and, irrespective of the date or dates of the actual execution and/or delivery thereof, such substitute document or instrument shall be deemed to have been executed and/or delivered as of the date or dates required with respect to the document or instrument for which it is substituted. Anything in this Mortgage to the contrary notwithstanding, if any such corrective document or instrument indicates that action has been taken by or at the request of the Company which could not have been taken had the original document or instrument not contained such error or omission, the action so taken shall not be invalidated or otherwise rendered ineffective but shall be and remain in full force and effect, except to the extent that such action was a result of willful misconduct or bad faith. Without limiting the generality of the foregoing, any Securities issued under the authority of such defective document or instrument

shall nevertheless be the valid obligations of the Company entitled to the benefits of this Mortgage equally and ratably with all other Outstanding Securities, except as aforesaid.

SECTION 105. ACTS OF HOLDERS.

(a) Any request, demand, authorization, direction, notice, consent, election, waiver or other action provided by this Mortgage to be made, given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing or, alternatively, may be embodied in and evidenced by the record of Holders voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders duly called and held in accordance with the provisions of Article Fourteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments and so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Mortgage and (subject to Section 1001) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section. The record of any meeting of Holders shall be proved in the manner provided in Section 1406.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof or may be proved in any other manner which the Trustee and the Company deem sufficient. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The ownership, principal amount (except as otherwise contemplated in clause (y) of the first proviso to the definition of Outstanding) and serial numbers of Securities held by any Person, and the date of holding the same, shall be proved by the Security Register.

(d) Any request, demand, authorization, direction, notice, consent, election, waiver or other Act of a Holder shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(e) Until such time as written instruments shall have been delivered to the Trustee with respect to the requisite percentage of principal amount of Securities for the action contemplated by such instruments, any such instrument executed and delivered by or on behalf of a Holder may be revoked with respect to any or all of such Securities by written notice by such Holder or any subsequent Holder, proven in the manner in which such instrument was proven.

(f) Securities of any series, or any Tranche thereof, authenticated and delivered after any Act of Holders may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any action taken by such Act of Holders. If the Company shall so determine, new Securities of any series, or any Tranche thereof, so modified as to conform, in the opinion of the Trustee and the Company, to such action may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series or Tranche.

(g) If the Company shall solicit from Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on the record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of the Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of the record date.

SECTION 106. NOTICES, ETC. TO TRUSTEE OR COMPANY.

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, election, waiver or Act of Holders or other document provided or permitted by this Mortgage to be made upon, given or furnished to, or filed with, the Trustee by any Holder or by the Company, or the Company by the Trustee or by any Holder, shall be sufficient for every purpose hereunder (unless otherwise expressly provided herein) if in writing and delivered personally to an officer or other responsible employee of the addressee, or transmitted by facsimile transmission or other direct written electronic means to such telephone number or other electronic communications address set forth for such party below or such other address as the parties hereto shall from time to time designate, or delivered by registered or certified mail or reputable overnight courier, charges prepaid, to the applicable address set forth for such party below or to such other address as either party hereto may from time to time designate:

If to the Trustee, to:

U.S. Bank National Association
21 South Street, 3rd Floor
Morristown, New Jersey 07960

Attention: Corporate Trust Department
Telephone: 973-898-7160
Telecopy: 973-682-4540

If to the Company, to:

Public Service Company of New Hampshire
c/o Northeast Utilities Service Company
P.O. Box 270
Hartford, CT 06141-0270

Attention: Assistant Treasurer
Telephone: 860-665-5058
Telecopy: 860-665-5457

Any communication contemplated herein shall be deemed to have been made, given, furnished and filed if personally delivered, on the date of delivery, if transmitted by facsimile transmission or other direct written electronic means, on the date of transmission if transmitted during normal business hours and otherwise on the next Business Day, and if transmitted by registered or certified mail or reputable overnight courier, on the date of receipt.

SECTION 107. NOTICE TO HOLDERS OF SECURITIES; WAIVER.

Except as otherwise expressly provided herein, where this Mortgage provides for notice to Holders of any event, such notice shall be sufficiently given, and shall be deemed given, to Holders if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, if any, prescribed for the giving of such Notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to Holders.

Any notice required by this Mortgage may be waived in writing by the Person entitled to receive such notice, either before or after the event otherwise to be specified therein, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 108. CONFLICT WITH TRUST INDENTURE ACT.

If any provision of this Mortgage limits, qualifies or conflicts with another provision hereof which is required or deemed to be included in this Mortgage by, or is otherwise governed by, any provision of the Trust Indenture Act, such other provision shall control; and if any provision hereof otherwise conflicts with the Trust Indenture Act, the Trust Indenture Act shall control unless otherwise provided as contemplated by Section 301 with respect to any series of Securities.

SECTION 109. EFFECT OF HEADINGS AND TABLE OF CONTENTS.

The Article and Section headings in this Mortgage and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 110. SUCCESSORS AND ASSIGNS.

All covenants and agreements in this Mortgage by the Company and Trustee shall bind their respective successors and assigns, whether so expressed or not.

SECTION 111. SEPARABILITY CLAUSE.

In case any provision in this Mortgage or the Securities shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 112. BENEFITS OF MORTGAGE.

Nothing in this Mortgage or the Securities, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder and the Holders of any Outstanding Securities, any benefit or any legal or equitable right, remedy or claim under this Mortgage.

SECTION 113. GOVERNING LAW.

This Mortgage and the Securities shall be governed by and construed in accordance with the law of the State of New Hampshire, except to the extent that the Trust Indenture Act shall be applicable and except to the extent that the laws of any other state where the Company then owns Mortgaged Property shall govern the Mortgage Lien and related provisions of the Mortgage with respect to property in such state; provided however that the rights and obligations of the Trustee shall be governed by the laws of the state in which the Corporate Trust Office is located.

SECTION 114. LEGAL HOLIDAYS.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Mortgage or of the Securities other than a provision in Securities of any series, or any Tranche thereof, or in the Mortgage supplemental hereto, Board Resolution or Officers' Certificate which establishes the terms of the Securities of such series or Tranche, which specifically states that such provision shall apply in lieu of this Section) payment of interest or principal and premium, if any, need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date, Redemption Date, or Stated Maturity, and, if such payment is made or duly provided for on such Business Day, no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, to such Business Day.

SECTION 115. INVESTMENT OF CASH HELD BY TRUSTEE.

Any cash held by the Trustee or any Paying Agent under any provision of this Mortgage shall, except as otherwise provided in Section 1606 or in Article Eight, at the request of the Company evidenced by Company Order, be invested or reinvested in Investment Securities designated by the Company (such Company Order to contain a representation to the effect that the securities designated therein constitute Investment Securities), any interest on such Investment Securities shall be promptly paid over to the Company as directed in such Company Order free and clear of any Lien. Such Investment Securities shall be held subject to the same provisions hereof as the cash used to purchase the same, but upon a like request of the Company shall be sold, in whole or in designated part, and the proceeds of such sale shall be held subject to the same provisions hereof as the cash used to purchase the Investment Securities so sold. If such sale shall produce a net sum less than the cost of the Investment Securities so sold, the Company shall pay to the Trustee or any such Paying Agent, as the case may be, such amount in cash as, together with the net proceeds from such sale, shall equal the cost of the Investment Securities so sold, and if such sale shall produce a net sum greater than the cost of the Investment Securities so sold, the Trustee or any such Paying Agent, as the case may be, shall promptly pay over to the Company an amount in cash equal to such excess, free and clear of any Lien. In no event shall the Trustee be liable for any loss incurred in connection with the sale of any Investment Security pursuant to this Section.

Notwithstanding the foregoing, if an Event of Default shall have occurred and be continuing, interest on Investment Securities and any gain upon the sale thereof shall be held as part of the Mortgaged Property until such Event of Default shall have been cured or waived, whereupon such interest and gain shall be promptly paid over to the Company free and clear of any Lien.

SECTION 116. DEFINITIONS AND REFERENCES IN PRIOR SUPPLEMENTAL INDENTURES.

To the extent that any Supplemental Indentures entered into prior to the First Effective Date or any Securities issued prior to the First Effective Date refers to sections contained in the Original Indenture or to terms defined in the Original Indenture, any such reference to sections or defined terms shall be deemed to be a reference to the appropriate corresponding section or defined term in this Mortgage.

ARTICLE TWO

SECURITY FORMS

SECTION 201. FORMS GENERALLY.

The definitive Securities of each series shall be in substantially the form or forms thereof established in the Mortgage supplemental hereto establishing such series or in a Board Resolution establishing such series, or in an Officers' Certificate pursuant to such a Supplemental Mortgage or Board Resolution, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Mortgage, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required

to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution thereof. If the form or forms of Securities of any series are established in a Board Resolution or in an Officers' Certificate pursuant to a Supplemental Mortgage or a Board Resolution, such Board Resolution and Officers' Certificate, if any, shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 303 for the authentication and delivery of such Securities.

Unless otherwise specified as contemplated by Section 301, the Securities of each series shall be issuable in registered form without coupons. The definitive Securities shall be produced in such manner as shall be determined by the officers executing such Securities, as evidenced by their execution thereof.

SECTION 202. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

The Trustee's certificate of authentication shall be in substantially the form set forth below:

This is one of the Securities of the series designated therein referred to in the within-mentioned Mortgage.

as Trustee
By: _____
Authorized Signatory

ARTICLE THREE

THE SECURITIES

SECTION 301. AMOUNT UNLIMITED; ISSUABLE IN SERIES.

The aggregate principal amount of Securities which may be authenticated and delivered under this Mortgage is unlimited.

The Securities may be issued in one or more series. Subject to the last paragraph of this Section, prior to the authentication and delivery of Securities of any series there shall be established by specification in a supplemental Mortgage or in a Board Resolution or in an Officers' Certificate pursuant to a supplemental Mortgage or a Board Resolution:

(a) the title of the Securities of such series (which shall distinguish the Securities of such series from Securities of all other series);

(b) any limit upon the aggregate principal amount of the Securities of such series which may be authenticated and delivered under this Mortgage (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Section 304, 305, 306, 506 or 1306 and except for any Securities which, pursuant to Section 303, are deemed never to have been authenticated and delivered hereunder);

(c) the Person or Persons (without specific identification) to whom any interest on Securities of such series, or any Tranche thereof, shall be payable, if other than the Person in

whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest;

(d) the date or dates on which the principal of the Securities of such series or any Tranche thereof, is payable or any formulary or other method or other means by which such date or dates shall be determined, by reference to an index or other fact or event ascertainable outside of this Mortgage or otherwise (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension); and the right, if any, to extend the Maturity of the Securities of such series, or any Tranche thereof, and the duration of any such extension;

(e) the rate or rates at which the Securities of such series, or any Tranche thereof, shall bear interest, if any (including the rate or rates at which overdue principal shall bear interest after Maturity if different from the rate or rates at which such Securities shall bear interest prior to Maturity, and, if applicable, the rate or rates at which overdue premium or interest shall bear interest, if any), or any formulary or other method or other means by which such rate or rates shall be determined by reference to an index or other fact or event ascertainable outside of this Mortgage or otherwise, the date or dates from which such interest shall accrue; the Interest Payment Dates and the Regular Record Dates, if any, for the interest payable on such Securities on any Interest Payment Date; and the basis of computation of interest, if other than as provided in Section 310; and the right, if any, to extend the interest payment periods and the duration of any such extension;

(f) the place or places at which and/or methods (if other than as provided elsewhere in this Mortgage) by which (i) the principal of and premium, if any, and interest, if any, on Securities of such series, or any Tranche thereof, shall be payable, (ii) registration of transfer of Securities of such series, or any Tranche thereof, may be effected, (iii) exchanges of Securities of such series, or any Tranche thereof, may be effected and (iv) notices and demands to or upon the Company in respect of the Securities of such series, or any Tranche thereof, and this Mortgage may be served; the Security Registrar and any Paying Agent or Agents for such series or Tranche; and, if such is the case, that the principal of such Securities shall be payable without the presentment or surrender thereof;

(g) the period or periods within which, or the date or dates on which, the price or prices at which and the terms and conditions upon which the Securities of such series, or any Tranche thereof, may be redeemed, in whole or in part, at the option of the Company and any restrictions on such redemptions; including but not limited to a restriction on a partial redemption by the Company of the Securities of any series, or any Tranche thereof, resulting in delisting of such Securities from any national exchange;

(h) the obligation or obligations, if any, of the Company to redeem or purchase or repay the Securities of such series, or any Tranche thereof, pursuant to any sinking fund or other mandatory redemption provisions or at the option of a Holder thereof and the period or periods within which or the date or dates on which, the price or prices at which and the terms and conditions upon which such Securities shall be redeemed or purchased or repaid, in whole or in part, pursuant to such obligation and applicable exceptions to the requirements of Section 504 in the case of mandatory redemption or redemption or repayment at the option of the Holder;

(i) the denominations in which Securities of such series, or any Tranche thereof, shall be issuable if other than denominations of \$1,000 and any integral multiple thereof;

(j) if the principal of or premium, if any, or interest, if any, on the Securities of such series, or any Tranche thereof, are to be payable, at the election of the Company or a Holder thereof, in a coin or currency other than that in which the Securities are stated to be payable, the period or periods within which, and the terms and conditions upon which, such election may be made and the manner in which the amount of such coin or currency payable is to be determined;

(k) the currency or currencies, including composite currencies, in which payment of the principal of and premium, if any, and interest, if any, on the Securities of such series, or any Tranche thereof, shall be payable (if other than Dollars) and the manner in which the equivalent of the principal amount thereof in Dollars is to be determined for any purpose, including for the purpose of determining the principal amount deemed to be Outstanding at any time;

(l) if the principal of or premium, if any, or interest, if any, on the Securities of such series, or any Tranche thereof, are to be payable, or are to be payable at the election of the Company or a Holder thereof, in securities or other property, the type and amount of such securities or other property, or the formulary or other method or other means by which such amount shall be determined, and the period or periods within which, and the terms and conditions upon which, any such election may be made;

(m) if the amount payable in respect of principal of or premium, if any, or interest, if any, on the Securities of such series, or any Tranche thereof, may be determined with reference to an index or other fact or event ascertainable outside this Mortgage, the manner in which such amounts shall be determined to the extent not established pursuant to clause (e) of this paragraph;

(n) if other than the entire principal amount thereof, the portion of the principal amount of Securities of such series, or any Tranche thereof, which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 902;

(o) any Events of Default, in addition to those specified in Section 901, or any exceptions to those specified in Section 901, with respect to the Securities of such series, and any covenants of the Company for the benefit of the Holders of the Securities of such series, or any Tranche thereof, in addition to those set forth in Article Seven, or any exceptions to those set forth in Article Seven;

(p) the terms, if any, pursuant to which the Securities of such series, or any Tranche thereof, may be converted into or exchanged for shares of capital stock or other securities of the Company or any other Person;

(q) the obligations or instruments, if any, which shall be considered to be Eligible Obligations in respect of the Securities of such series, or any Tranche thereof, denominated in a currency other than Dollars or in a composite currency, whether Eligible Obligations include Investment Securities with respect to Securities of such series, and any provisions for satisfaction and discharge of Securities of any series, in addition to those set forth in Article Eight, or any exceptions to those set forth in Article Eight;

(r) if the Securities of such series, or any Tranche thereof, are to be issued in global form, (i) any limitations on the rights of the Holder or Holders of such Securities to transfer or exchange the same or to obtain the registration of transfer thereof, (ii) any limitations on the rights of the Holder or Holders thereof to obtain certificates therefor in definitive form in lieu of global form and (iii) any other matters incidental to such Securities;

(s) if the Securities of such series, or any Tranche thereof, are to be issuable as bearer securities, any and all matters incidental thereto which are not specifically addressed in a supplemental Mortgage as contemplated by clause (g) of Section 1301;

(t) to the extent not established pursuant to clause (r) of this paragraph, any limitations on the rights of the Holders of the Securities of such Series, or any Tranche thereof, to transfer or exchange such Securities or to obtain the registration of transfer thereof; and if a service charge will be made for the registration of transfer or exchange of Securities of such series, or any Tranche thereof, the amount or terms thereof;

(u) any exceptions to Section 115, or variation in the definition of Business Day, with respect to the Securities of such series, or any Tranche thereof; and

(v) any other terms of the Securities of such series, or any Tranche thereof, that the Company may elect to specify.

With respect to Securities of a series subject to a Periodic Offering, the Mortgage supplemental hereto or the Board Resolution which establishes such series, or the Officers' Certificate pursuant to such supplemental Mortgage or Board Resolution, as the case may be, may provide general terms or parameters for Securities of such series and provide either that the specific terms of Securities of such series, or any Tranche thereof, shall be specified in a Company Order or that such terms shall be determined by the Company or its agents in accordance with procedures specified in a Company Order as contemplated in clause (b) of Section 303.

Unless otherwise provided with respect to a series of Securities as contemplated in clause (b) of this Section 301, the aggregate principal amount of a series of Securities may be increased and additional Securities of such series may be issued up to the maximum aggregate principal amount authorized with respect to such series as increased.

SECTION 302. DENOMINATIONS.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, the Securities of each series shall be issuable in denominations of \$1,000 and any integral multiple thereof.

SECTION 303. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities or any Tranche thereof, the Securities shall be executed on behalf of the Company by an Authorized Officer, and may have the corporate seal of the Company affixed thereto or reproduced thereon attested by any other Authorized Officer or by the Secretary or an Assistant Secretary of

the Company. The signature of any or all of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at the time of execution Authorized Officers or the Secretary or an Assistant Secretary of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

The Trustee shall authenticate and deliver Securities of a series for original issue, at one time or from time to time in accordance with the Company Order referred to below, upon receipt by the Trustee of:

(a) the instrument or instruments establishing the form or forms and terms of the Securities of such series, as provided in Sections 201 and 301;

(b) a Company Order requesting the authentication and delivery of such Securities and, to the extent that the terms of such Securities shall not have been established in a Mortgage supplemental hereto or in a Board Resolution, or in an Officers' Certificate pursuant to a supplemental Mortgage or Board Resolution, all as contemplated by Section 301, either (i) establishing such terms or (ii) in the case of Securities of a series subject to a Periodic Offering, specifying procedures, acceptable to the Trustee, by which such terms are to be established (which procedures may provide, to the extent acceptable to the Trustee, for authentication and delivery pursuant to oral or electronic instructions from the Company or any agent or agents thereof, which oral instructions are to be promptly confirmed electronically or in writing), in either case in accordance with the instrument or instruments establishing the terms of the Securities of such series delivered pursuant to clause (a) above;

(c) any opinions, certificates, documents and instruments required by Article Four;

(d) Securities of such series, each executed on behalf of the Company by an Authorized Officer of the Company;

(e) an Officers' Certificate (i) which shall comply with the requirements of Section 104 of this Mortgage and (ii) which states that no Event of Default under this Mortgage has occurred or is occurring;

(f) an Opinion of Counsel which shall comply with the requirements of Section 104 of this Mortgage and that states that:

(i) the form or forms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Mortgage;

(ii) the terms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Mortgage; and

(iii) when such Securities shall have been authenticated and delivered by the Trustee and issued and delivered by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, such Securities will have been duly issued under this Mortgage, and will constitute valid and legally binding obligations of the Company, entitled to the benefits provided by this Mortgage, and enforceable in accordance with their terms, subject, as to enforcement, to environmental “super lien” laws and laws relating to or affecting generally the enforcement of mortgagees’ and other creditors’ rights, including, without limitation, bankruptcy, insolvency, reorganization, receivership, moratorium and other laws affecting the rights and remedies of creditors and mortgagees generally, general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and an implied covenant of good faith, fair dealing and reasonableness.

provided, however, that, with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive such Opinion of Counsel only once at or prior to the time of the first authentication and delivery of Securities of such series and that in lieu of the opinions described in clauses (ii) and (iii) above such Opinion of Counsel may, alternatively, state, respectively,

(x) that, when the terms of such Securities shall have been established pursuant to a Company Order or Orders, or pursuant to such procedures as may be specified from time to time by a Company Order or Orders, all as contemplated by and in accordance with the instrument or instruments delivered pursuant to clause (a) above, such terms will have been duly authorized by the Company and will have been established in conformity with the provisions of this Mortgage; and

(y) that such Securities, when (1) executed by the Company, (2) authenticated and delivered by the Trustee in accordance with this Mortgage, (3) issued and delivered by the Company and (4) paid for, all as contemplated by and in accordance with the aforesaid Company Order or Orders, as the case may be, will have been duly issued under this Mortgage and will constitute valid and legally binding obligations of the Company, entitled to the benefits provided by the Mortgage, and enforceable in accordance with their terms, subject, as to enforcement, to laws relating to or affecting generally the enforcement of mortgagees’ and other creditors’ rights, including, without limitation, bankruptcy, insolvency, reorganization, receivership, moratorium and other laws affecting the rights and remedies of creditors and mortgagees generally, general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and an implied covenant of good faith, fair dealing and reasonableness.

With respect to Securities of a series subject to a Periodic Offering, the Trustee may conclusively rely, as to the authorization by the Company of any of such Securities, the forms and terms thereof and the legality, validity, binding effect and enforceability thereof, and compliance of the authentication and delivery thereof with the terms and conditions of this Mortgage, upon the Opinion of Counsel and other documents delivered pursuant to Sections 201 and 301 and this Section, as applicable, at or prior to the time of the first authentication of Securities of such series, unless and until such opinion or other documents have been superseded or revoked or expire by their terms. In connection with the authentication and delivery of Securities of a series, pursuant to a Periodic Offering, the Trustee shall be entitled to assume that the Company’s instructions to

authenticate and deliver such Securities do not violate any applicable law or any applicable rule, regulation or order of any Governmental Authority having jurisdiction over the Company.

If the forms or terms of the Securities of any series have been established by or pursuant to a Board Resolution or an Officers' Certificate as permitted by Sections 201 or 301, the Trustee shall not be required to authenticate such Securities if the issuance of such Securities pursuant to this Mortgage will materially and adversely affect the Trustee's own rights, duties or immunities under the Securities and this Mortgage or otherwise in a manner which is not reasonably acceptable to the Trustee.

Except as otherwise specified as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, each Security shall be dated the date of its authentication.

Except as otherwise specified as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, no Security shall be entitled to any benefit under this Mortgage or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee or its agent by manual signature of an authorized officer thereof, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Mortgage. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder to the Company, or any Person acting on its behalf, but shall never have been issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 309 together with a written statement (which need not comply with Section 104 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Mortgage such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits hereof.

SECTION 304. TEMPORARY SECURITIES.

Pending the preparation of definitive Securities of any series, or any Tranche thereof, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, with such appropriate insertions, omissions, substitutions and other variations as any officer executing such Securities may determine, as evidenced by such officer's execution of such Securities; provided, however, that temporary Securities need not recite specific redemption, sinking fund, conversion or exchange provisions.

Unless otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, after the preparation of definitive Securities of such series or Tranche, the temporary Securities of such series or Tranche shall be exchangeable, without charge to the Holder thereof, for definitive Securities of such series or Tranche upon surrender of such temporary Securities at the office or agency of the Company maintained pursuant to Section 702 in a Place of Payment for such Securities. Upon such surrender of temporary Securities for such exchange, the Company shall, except as aforesaid, execute and the Trustee shall authenticate and

deliver in exchange therefor definitive Securities of the same series and Tranche of authorized denominations and of like tenor and aggregate principal amount.

Until exchanged in full as hereinabove provided, temporary Securities shall in all respects be entitled to the same benefits under this Mortgage as definitive Securities of the same series and Tranche and of like tenor authenticated and delivered hereunder.

SECTION 305. REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE.

The Company shall cause to be kept in each office designated pursuant to Section 702, with respect to the Securities of each series, a register (all registers kept in accordance with this Section being collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities of such series, or any Tranche thereof, and the registration of transfer thereof. The Company shall designate one Person to maintain the Security Register for the Securities of each series on a consolidated basis, and such Person is referred to herein, with respect to such series, as the "Security Registrar." Anything herein to the contrary notwithstanding, the Company may designate one or more of its offices as an office in which a register with respect to the Securities of one or more series shall be maintained, and the Company may designate itself the Security Registrar with respect to one or more of such series. The Security Register shall be open for inspection by the Trustee and the Company at all reasonable times.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, upon surrender for registration of transfer of any Security of such series or Tranche at the office or agency of the Company maintained pursuant to Section 702 in a Place of Payment for such series or Tranche, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, any Security of such series or Tranche may be exchanged at the option of the Holder for one or more new Securities of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Securities to be exchanged at any such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities, which the Holder making the exchange is entitled to receive.

All Securities delivered upon any registration of transfer or exchange of Securities shall be valid obligations of the Company, evidencing the same obligation, and entitled to the same benefits under this Mortgage, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company, the Trustee or the Security Registrar) be duly endorsed or shall be accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or

the Security Registrar, as the case may be, duly executed by the Holder thereof or his attorney duly authorized in writing.

Unless otherwise specified as contemplated by Section 301, with respect to Securities of any series, or any Tranche thereof, no service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 506 or 1306 not involving any transfer.

The Company shall not be required to execute or to provide for the registration of transfer of or the exchange of (a) Securities of any series, or any Tranche thereof, during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Securities of such series or Tranche called for redemption or (b) any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

SECTION 306. MUTILATED, DESTROYED, LOST AND STOLEN SECURITIES.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series and Tranche, and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (a) evidence to their satisfaction of the ownership of and the destruction, loss or theft of any Security and (b) such security or indemnity as may be reasonably required by them to save each of them and any agent of any of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same series and Tranche, and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

Notwithstanding the foregoing, in case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Trustee) in connection therewith.

Every new Security of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone other than the Holder of such new Security, and any such new Security shall be entitled to all the benefits of this Mortgage equally and proportionately with any and all other Securities of such series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 307. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED.

Unless otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the related Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election, as provided in clause (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a date (a "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company shall promptly cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Securities of such series at the address of such Holder as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date. No interest, other than said Defaulted Interest, shall be payable to such holders with respect to any such amounts so deposited by the Company with the Trustee.

(b) The Company may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section and Section 305, each Security delivered under this Mortgage upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 308. PERSONS DEEMED OWNERS.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and premium, if any, and (subject to Sections 305 and 307) interest, if any, on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. CANCELLATION.

All Securities surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Security Registrar, be delivered to the Security Registrar and, if not theretofore canceled, shall be promptly canceled by the Security Registrar. The Company may at any time deliver to the Security Registrar for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever or which the Company shall not have issued and sold, and all Securities so delivered shall be promptly canceled by the Security Registrar. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section, except as expressly permitted by this Mortgage. All canceled Securities held by the Security Registrar shall be disposed of in accordance with the customary practices of the Security Registrar at the time in effect, and the Security Registrar shall not be required to destroy any such certificates. The Security Registrar shall promptly deliver a certificate of disposition to the Trustee and the Company unless, by a Company Order, similarly delivered, the Company shall direct that canceled Securities be returned to it. The Security Registrar shall promptly deliver evidence of any cancellation of a Security in accordance with this Section 309 to the Trustee and the Company.

SECTION 310. COMPUTATION OF INTEREST.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, or Tranche thereof, interest on the Securities of each series shall be computed on the basis of a 360-day year consisting of 12 30-day months, and with respect to any period less than a full month, on the basis of the actual number of days elapsed during such period. For example, the interest for a period running from the 15th day of one month to the 15th day of the next month would be calculated on the basis of one 30-day month.

SECTION 311. PAYMENT TO BE IN PROPER CURRENCY.

In the case of any Security denominated in any currency other than Dollars or in a composite currency (the “Required Currency”), except as otherwise specified with respect to such Security as contemplated by Section 301, the obligation of the Company to make any payment of the principal thereof, or the premium or interest thereon, shall not be discharged or satisfied by any tender by the Company, or recovery by the Trustee, in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the Trustee timely holding the full amount of the Required Currency then due and payable. If any such tender or recovery is in a currency other than the Required Currency, the Trustee may take such actions as it considers appropriate to exchange such currency for the Required Currency. The costs and risks of any such exchange, including without limitation the risks of delay and exchange rate fluctuation, shall be borne by the Company, the Company shall remain fully liable for any shortfall or delinquency in the full amount of Required Currency then due and payable, and in no circumstances shall the Trustee be liable therefor except in the case of its negligence or willful misconduct.

SECTION 312. EXTENSION OF INTEREST PAYMENT.

The Company shall have the right at any time, to extend interest payment periods on all the Securities of any series hereunder, if so specified as contemplated by Section 301 with respect to such Securities and upon such terms as may be specified as contemplated by Section 301 with respect to such Securities.

SECTION 313. CUSIP NUMBERS.

The Company in issuing the Securities may use “CUSIP” or “ISIN” or other similar numbers (if then generally in use), and, if so, the Company, the Trustee or the Security Registrar may use “CUSIP” or “ISIN” or such other numbers in notices or redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only the other identification numbers printed on the Securities, in which case none of the Company or, as the case may be, the Trustee or the Security Registrar, or any agent of any of them, shall have any liability in respect of any CUSIP or “ISIN” or other number used on any such notice, and any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE FOUR

ISSUANCE OF SECURITIES

SECTION 401. ISSUANCE OF SECURITIES.

(a) Securities of any one or more series may be authenticated and delivered in any aggregate principal amount so long as, after immediately giving effect thereto, to the concurrent redemption or payment of Securities or Secured Debt and any other transactions contemplated therewith, the aggregate principal amount of all Securities and Secured Debt, in each case then Outstanding, will not exceed 75% of the sum of (i) the then Cost or Fair Value,

whichever is less, of all Property Additions (after making any deductions pursuant to Section 102(b)) and (ii) all Available Cash then held by, or deposited with, the Trustee.

(b) Securities of any series shall be authenticated and delivered by the Trustee upon receipt by the Trustee of:

(i) the documents with respect to the Securities of such series specified in Section 303;

(ii) an Experts' Certificate dated as of a date not more than 90 days prior to the first day of the month in which the Company Order referring to it is delivered to the Trustee,

(1) setting forth the aggregate amount of Property Additions then owned by the Company, such amount to be computed by reference to the Company's financial statements, on a Dollar basis, and stating the Cost of such Property Additions;

(2) stating that all such property reflected in clause (1) above constitutes Property Additions;

(3) stating that such Property Additions are desirable for use in the conduct of the business, or one of the businesses, of the Company;

(4) stating what part, if any, of such Property Additions includes property which had not been included in a previous Experts' Certificate and which within six months prior to the date of acquisition thereof by the Company had been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company and stating whether or not, in the judgment of the signers, the Fair Value of such Property Additions to the Company, as of the date of such certificate, is more than \$25,000 and more than 1% of the aggregate principal amount of Securities then Outstanding;

(5) stating, in the judgment of the signers, the Fair Value to the Company, as of the date of such certificate, of such Property Additions, except any thereof with respect to the Fair Value to the Company of which a statement is to be made in an Independent Experts' Certificate pursuant to clause (iii) below;

(6) stating the lower of the Cost or the Fair Value to the Company of such Property Additions;

(7) stating the aggregate principal amount of Securities and the aggregate principal amount of Secured Debt, in each case to be Outstanding immediately prior to the issuance of the Securities to be then authenticated and delivered;

(8) stating the principal amount of Securities to be then authenticated and delivered;

(9) stating that, immediately after giving effect to the issuance of the Securities to be then authenticated and delivered, to the concurrent redemption or payment of Securities or Secured Debt and any other transactions contemplated therewith, the aggregate principal amount of all Securities and Secured Debt, in each case then Outstanding, will not exceed 75% of the sum of (i) the amount set forth in clause (6) above, and (ii) all Available Cash;

(iii) in case any Property Additions are shown by the Experts' Certificate provided for in clause (ii) above to include property which had not been included in a previous Experts' Certificate and which, within six months prior to the date of acquisition thereof by the Company, had been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company and such certificate does not show the Fair Value thereof to the Company, as of the date of such certificate, to be less than \$25,000 or less than 1% of the aggregate principal amount of Securities then Outstanding, an Independent Experts' Certificate stating, in the judgment of the signer, the Fair Value to the Company, as of the date of such Independent Experts' Certificate, of (X) such Property Additions which have been so used or operated and (at the option of the Company) as to any other Property Additions included in the Experts' Certificate provided for in clause (ii) above and (Y) in case such Independent Experts' Certificate is being delivered in connection with the authentication and delivery of Securities, any property so used or operated which has been subjected to the Lien of this Mortgage since the commencement of the then current calendar year and as to which an Independent Experts' Certificate has not previously been furnished to the Trustee;

(iv) in case any Property Additions are shown by the Experts' Certificate provided for in clause (ii) above to have not been included in a previous Experts' Certificate and to have been acquired, made or constructed in whole or in part through the delivery of securities or other property, an Experts' Certificate stating, in the judgment of the signers, the fair market value in cash of such securities or other property at the time of delivery thereof in payment for or for the acquisition of such Property Additions;

(v) an Opinion of Counsel to the effect that:

(1) this Mortgage constitutes, or, upon the delivery of, and/or the filing and/or recording in the proper places and manner of, the instruments of conveyance, assignment or transfer, if any, specified in said opinion, will constitute, a direct first mortgage lien, subject only to Permitted Liens, environmental "super lien" laws and specified Prior Liens, upon the interest of the Company in the Property Additions; provided, however, that on and after the Second Effective Date, said opinion may also contain an exception for all Prior Liens; and

(2) the Company has corporate authority to operate such Property Additions; and

(vi) copies of the instruments of conveyance, assignment and transfer, if any, specified in the Opinion of Counsel provided for in clause (v) above.

ARTICLE FIVE

REDEMPTION OF SECURITIES

SECTION 501. APPLICABILITY OF ARTICLE.

Securities of any series, or any Tranche thereof, which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for Securities of such series or Tranche) in accordance with this Article.

SECTION 502. ELECTION TO REDEEM; NOTICE TO TRUSTEE.

The election of the Company to redeem any Securities shall be evidenced by a Board Resolution or an Officers' Certificate. The Company shall, at least 40 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the principal amount of such Securities to be redeemed. In the case of any redemption of Securities (a) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Mortgage or (b) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

SECTION 503. SELECTION OF SECURITIES TO BE REDEEMED.

If less than all the Securities of any series, or any Tranche thereof, are to be redeemed, the particular Securities to be redeemed shall be selected by the Trustee from the Outstanding Securities of such series or Tranche not previously called for redemption, by such method as shall be provided for such particular series or Tranche, or in the absence of any such provision, by such method of random selection as the Trustee shall deem fair and appropriate and which may, in any case, provide for the selection for redemption of portions (equal to any authorized denomination for Securities of such series or Tranche) of the principal amount of Securities of such series or Tranche of a denomination larger than the minimum authorized denomination for Securities of such series or Tranche; provided, however, that if, as indicated in an Officers' Certificate, the Company shall have offered to purchase all or any principal amount of the Securities then Outstanding of any series, or any Tranche thereof, and less than all of such Securities as to which such offer was made shall have been tendered to the Company for such purchase, the Trustee, if so directed by Company Order, shall select for redemption all or any principal amount of such Securities which have not been so tendered.

The Trustee shall promptly notify the Company and the Security Registrar in writing of the Securities selected for redemption and, in the case of any Securities selected to be redeemed in part, the principal amount thereof to be redeemed.

For all purposes of this Mortgage, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 504. NOTICE OF REDEMPTION.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, notice of redemption shall be given in the manner provided in Section 107 to the Holders of the Securities to be redeemed not less than 30 days prior to the Redemption Date.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, all notices of redemption shall state:

- (a) the Redemption Date,
- (b) the Redemption Price (if known),
- (c) if less than all the Securities of any series or Tranche are to be redeemed, the identification of the particular Securities to be redeemed and the portion of the principal amount of any Security to be redeemed in part,
- (d) that on the Redemption Date the Redemption Price, together with accrued interest, if any, to the Redemption Date, will become due and payable upon each such Security to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,
- (e) the place or places where such Securities are to be surrendered for payment of the Redemption Price and accrued interest, if any, unless it shall have been specified as contemplated by Section 301 with respect to such Securities that such surrender shall not be required,
- (f) that the redemption is for a sinking or other fund, if such is the case,
- (g) the CUSIP, ISIN or other similar numbers, if any, assigned to such Securities; provided, however, that such notice may state that no representation is made as to the correctness of CUSIP or ISIN numbers, in which case none of the Company, the Trustee or any agent of the Company or the Trustee shall have any liability in respect of the use of any CUSIP or ISIN number or numbers on such notices, and the redemption of such Securities shall not be affected by any defect in or omission of such numbers, and
- (h) such other matters as the Company shall deem desirable or appropriate.

Unless otherwise specified with respect to any Securities in accordance with Section 301, with respect to any notice of redemption of Securities at the election of the Company, unless, upon the giving of such notice, such Securities shall be deemed to have been paid in accordance with Section 801, such notice may state that such redemption shall be conditional upon the receipt by the Paying Agent or Agents for such Securities, on or prior to the date fixed for such redemption, of money sufficient to pay the principal of and premium, if any, and interest, if any, on such Securities and that if such money shall not have been so received such notice shall be of no force or effect and the Company shall not be required to redeem such Securities. In the event that such notice of redemption contains such a condition and such money is not so received, the redemption shall not be made and within a reasonable time thereafter notice shall be given, in the manner in which the notice of redemption was given, that such money was not so received and such redemption was not

required to be made. A failure by the Company to provide such moneys or make provision for the payment thereof shall not constitute an Event of Default under this Mortgage and the Paying Agent or Agents for the Securities otherwise to have been redeemed shall promptly return to the Holders thereof any of such Securities which had been surrendered for payment upon such redemption.

Notice of redemption of Securities to be redeemed at the election of the Company, and any notice of non-satisfaction of a condition for redemption as aforesaid, shall be given by the Company or, at the Company's request, by the Security Registrar in the name and at the expense of the Company. Notice of any mandatory redemption of Securities shall be given by the Security Registrar in the name and at the expense of the Company.

SECTION 505. SECURITIES PAYABLE ON REDEMPTION DATE.

Notice of redemption having been given as aforesaid, and the conditions, if any, set forth in such notice having been satisfied, the Securities or portions thereof so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless, in the case of an unconditional notice of redemption, the Company shall default in the payment of the Redemption Price and accrued interest, if any) such Securities or portions thereof, if interest-bearing, shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with such notice, such Security or portion thereof shall be paid by the Company at the Redemption Price, together with accrued interest, if any, to the Redemption Date; provided, however, that no such surrender shall be a condition to such payment if so specified as contemplated by Section 301 with respect to such Security; and provided, further, that except as otherwise specified as contemplated by Section 301 with respect to such Security, any installment of interest on any Security the Stated Maturity of which installment is on or prior to the Redemption Date shall be payable to the Holder of such Security, or one or more Predecessor Securities, registered as such at the close of business on the related Regular Record Date according to the terms of such Security and subject to the provisions of Sections 305 and 307.

SECTION 506. SECURITIES REDEEMED IN PART.

Upon the surrender of any Security which is to be redeemed only in part at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities of the same series and Tranche, of any authorized denomination requested by such Holder and of like tenor and in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

ARTICLE SIX

SINKING FUNDS

SECTION 601. APPLICABILITY OF ARTICLE.

The provisions of this Article shall be applicable to any sinking fund for the retirement of the Securities of any series, or any Tranche thereof, except as otherwise specified as contemplated by Section 301 for Securities of such series or Tranche.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series, or any Tranche thereof, is herein referred to as a “mandatory sinking fund payment”, and any payment in excess of such minimum amount provided for by the terms of Securities of any series, or any Tranche thereof, is herein referred to as an “optional sinking fund payment”. If provided for by the terms of Securities of any series, or any Tranche thereof, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 602. Each sinking fund payment shall be applied to the redemption of Securities of the series or Tranche in respect of which it was made as provided for by the terms of such Securities.

SECTION 602. SATISFACTION OF SINKING FUND PAYMENTS WITH SECURITIES.

The Company (a) may deliver to the Trustee Outstanding Securities (other than any previously called for redemption) of a series or Tranche in respect of which a mandatory sinking fund payment is to be made and (b) may apply as a credit Securities of such series or Tranche which have been redeemed either at the election of the Company pursuant to the terms of such Securities, at the election of the Holder thereof if applicable, or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of such mandatory sinking fund payment with respect to the Securities of such series; provided, however, that no Securities shall be applied in satisfaction of a mandatory sinking fund payment if such Securities shall have been previously so applied. Securities so applied shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such mandatory sinking fund payment shall be reduced accordingly.

SECTION 603. REDEMPTION OF SECURITIES FOR SINKING FUND.

Not less than 40 days, or such shorter period as the Trustee shall agree to, prior to each sinking fund payment date for the Securities of any series, or any Tranche thereof, the Company shall deliver to the Trustee an Officers' Certificate specifying:

- (a) the amount of the next succeeding mandatory sinking fund payment for such series or Tranche;
- (b) the amount, if any, of the optional sinking fund payment to be made together with such mandatory sinking fund payment;
- (c) the aggregate sinking fund payment;

(d) the portion, if any, of such aggregate sinking fund payment which is to be satisfied by the payment of cash; and

(e) the portion, if any, of such aggregate sinking fund payment which is to be satisfied by delivering and crediting Securities of such series or Tranche pursuant to Section 602 and stating the basis for such credit and that such Securities have not previously been so credited, and the Company shall also deliver to the Trustee any Securities to be so delivered.

If the Company shall not deliver such Officers' Certificate and, to the extent applicable, all such Securities, the next succeeding sinking fund payment for such series or Tranche shall be made entirely in cash in the amount of the mandatory sinking fund payment. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 503 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 504. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 505 and 506.

ARTICLE SEVEN

REPRESENTATIONS AND COVENANTS

SECTION 701. PAYMENT OF SECURITIES; LAWFUL POSSESSION.

(a) The Company shall pay the principal of and premium, if any, and interest, if any, on the Securities of each series in accordance with the terms of such Securities and this Mortgage.

(b) The Company is lawfully possessed of the Mortgaged Property and has sufficient right and authority to mortgage and pledge the Mortgaged Property, as provided in and by this Mortgage.

SECTION 702. MAINTENANCE OF OFFICE OR AGENCY.

The Company shall maintain in each Place of Payment for the Securities of each series, or any Tranche thereof, an office or agency where payment of such Securities shall be made, where the registration of transfer or exchange of such Securities may be effected and where notices and demands to or upon the Company in respect of such Securities and this Mortgage may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of each such office or agency and prompt notice to the Holders of any such change in the manner specified in Section 107. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, then payment of such Securities shall be made, registration of transfer or exchange thereof may be effected and notices and demands in respect of such Securities and this Mortgage may be served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent for all such purposes in any such event.

The Company may also from time to time designate one or more other offices or agencies with respect to the Securities of one or more series, or any Tranche thereof, for any or all of the foregoing purposes and may from time to time rescind such designations; provided, however, that, unless otherwise specified as contemplated by Section 301 with respect to the Securities of such series or Tranche, no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency for such purposes in each Place of Payment for such Securities in accordance with the requirements set forth above. The Company shall give prompt written notice to the Trustee, and prompt notice to the Holders in the manner specified in Section 107, of any such designation or rescission and of any change in the location of any such other office or agency.

Anything herein to the contrary notwithstanding, any office or agency required by this Section may be maintained at an office of the Company or an Affiliate of the Company, in which event the Company or such Affiliate shall perform all functions to be performed at such office or agency.

SECTION 703. MONEY FOR SECURITIES PAYMENTS TO BE HELD IN TRUST.

If the Company shall at any time act as its own Paying Agent with respect to the Securities of any series, or any Tranche thereof, it shall, on or before each due date of the principal of and premium, if any, and interest, if any, on any of such Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and premium or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided. The Company shall promptly notify the Trustee of any failure by the Company (or any other obligor on such Securities) to make any payment of principal of or premium, if any, or interest, if any, on such Securities.

Whenever the Company shall have one or more Paying Agents for the Securities of any series, or any Tranche thereof, it shall, on or before each due date of the principal of and premium, if any, and interest, if any, on such Securities, deposit with such Paying Agents sums sufficient (without duplication) to pay the principal and premium or interest so becoming due, such sums to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company shall promptly notify the Trustee of any failure by it so to act.

The Company shall cause each Paying Agent for the Securities of any series, or any Tranche thereof, other than the Company or the Trustee, to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent shall:

(a) hold all sums held by it for the payment of the principal of and premium, if any, or interest, if any, on such Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) give the Trustee notice of any failure by the Company (or any other obligor upon such Securities) to make any payment of principal of or premium, if any, or interest, if any, on such Securities; and

(c) at any time during the continuance of any such failure, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent and furnish to the Trustee such information as it possesses regarding the names and addresses of the Persons entitled to such sums.

The Company may at any time pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent and, if so stated in a Company Order delivered to the Trustee, in accordance with the provisions of Article Eight; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of and premium, if any, or interest, if any, on any Security and remaining unclaimed for two years after such principal and premium, if any, or interest, if any, has become due and payable shall to the extent permitted by law be paid to the Company on Company Request, or, if then held by the Company, shall be discharged from such trust; and, upon such payment or discharge, the Holder of such Security shall, as an unsecured general creditor and not as the Holder of an Outstanding Security, look only to the Company for payment of the amount so due and payable and remaining unpaid unless the applicable law provides otherwise, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such payment to the Company, may at the expense of the Company cause to be mailed, on one occasion only, notice to such Holder that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing, any unclaimed balance of such money then remaining will be paid to the Company.

SECTION 704. CORPORATE EXISTENCE.

Subject to the rights of the Company under Article Twelve, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its legal existence as a corporation.

SECTION 705. ANNUAL OFFICERS' CERTIFICATE AS TO COMPLIANCE.

Not later than June 1 in each year, commencing June 1, 2012, the Company shall deliver to the Trustee an Officers' Certificate which need not comply with the requirements of Section 103, executed by the principal executive officer, the principal financial officer or the principal accounting officer of the Company and by any other Authorized Officer, as to (i) such officers' knowledge of the Company's compliance with all conditions and covenants under this Mortgage, such compliance to be determined without regard to any period of grace or requirement of notice under this Mortgage, and making any other statements as may be required by the Trust Indenture

Act; and (ii) stating the aggregate principal amount of Secured Debt outstanding as of March 31 in such year.

SECTION 706. WAIVER OF CERTAIN COVENANTS.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in (a) Section 702 or any additional covenant or restriction specified with respect to the Securities of any series, or any Tranche thereof, as contemplated by Section 301, if before the time for such compliance the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches with respect to which compliance with Section 702 or such additional covenant or restriction is to be omitted, considered as one class, shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition and (b) Section 704 or Article Twelve if before the time for such compliance the Holders of a majority in principal amount of Securities Outstanding under this Mortgage shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition; but, in the case of (a) or (b), no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

SECTION 707. ISSUANCE OF SECURED DEBT

The Company shall not issue any Secured Debt unless, after giving effect thereto, to the concurrent redemption or payment of Securities or Secured Debt and any other transactions contemplated thereby, (a) the Company would be permitted by the provisions of Section 401(a) to have authenticated and delivered at least \$1.00 of additional Securities, (b) the aggregate principal amount of Secured Debt then outstanding would not exceed 3% of the sum of (i) the then Cost or Fair Value, whichever is less, of all Property Additions (after making any deductions pursuant to Section 102(b)) and (ii) all Available Cash then held by, or deposited with, the Trustee, and (c) the Lien securing such Secured Debt is permitted under Section 1612, provided, however, that the foregoing restriction shall not in any way prevent or limit the Company from creating, issuing, incurring or assuming indebtedness secured by Liens existing on property acquired by the Company after the First Effective Date or placed thereon at the time of such acquisition thereof.

SECTION 708. SALE AND LEASEBACK

Nothing in this Mortgage is intended to prevent the Company from entering into any Sale and Leaseback Transaction so long as the Company otherwise complies with the requirements of this Mortgage.

ARTICLE EIGHT

SATISFACTION AND DISCHARGE

SECTION 801. SATISFACTION AND DISCHARGE OF SECURITIES.

Any Security or Securities (provided, however, that prior to the Second Effective Date this Section shall be applicable only to Securities issued after September 1, 2007), or any portion of the principal amount thereof, shall be deemed to have been paid and no longer Outstanding for all purposes of this Mortgage, and the entire indebtedness of the Company in respect thereof shall be deemed to have been satisfied and discharged, if there shall have been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust:

(a) money in an amount which shall be sufficient, or

(b) in the case of a deposit made prior to the Maturity of such Securities or portions thereof, Eligible Obligations, which shall not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, the principal of and the interest on which when due, without any regard to reinvestment thereof, will provide moneys which, together with the money, if any, deposited with or held by the Trustee or such Paying Agent, shall be sufficient, or

(c) a combination of (a) or (b) which shall be sufficient to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Securities or portions thereof on or prior to Maturity;

provided, however, that in the case of the provision for payment or redemption of less than all the Securities of any series or Tranche, such Securities or portions thereof shall have been selected by the Trustee as provided herein and, in the case of a redemption, the notice requisite to the validity of such redemption shall have been given or irrevocable authority shall have been given by the Company to the Trustee to give such notice, under arrangements satisfactory to the Trustee; and provided, further, that the Company shall have delivered to the Trustee and such Paying Agent:

(x) if such deposit shall have been made prior to the Maturity of such Securities, a Company Order stating that the money and Eligible Obligations deposited in accordance with this Section shall be held in trust, as provided in Section 803;

(y) if Eligible Obligations shall have been deposited, an Opinion of Counsel to the effect that such obligations constitute Eligible Obligations and do not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, and a report of an independent public accountant of nationally recognized standing, selected by the Company, to the effect that the other requirements set forth in clause (b) and (c) above have been satisfied; and

(z) if such deposit shall have been made prior to the Maturity of such Securities, an Officers' Certificate stating the Company's intention that, upon delivery of such Officers' Certificate, its indebtedness in respect of such Securities or portions thereof will have been satisfied and discharged as contemplated in this Section.

In the event that all of the conditions set forth in the preceding paragraph shall have been satisfied in respect of any Securities or portions thereof except that, for any reason, the Officers' Certificate specified in clause (z) shall not have been delivered, such Securities or portions thereof shall nevertheless be deemed to have been paid for all purposes of this Mortgage, and the Holders of such Securities or portions thereof shall nevertheless be no longer entitled to the benefits provided by this Mortgage or of any of the covenants of the Company under Article Seven (except the covenants contained in Sections 702 and 703) or any other covenants made in respect of such Securities or portions thereof as contemplated by Section 301 or Section 1301(b), but the indebtedness of the Company in respect of such Securities or portions thereof shall not be deemed to have been satisfied and discharged prior to Maturity for any other purpose and the Holders of such Securities or portions thereof shall continue to be entitled to look to the Company for payment of the indebtedness represented thereby.

If payment at Stated Maturity of less than all of the Securities of any series, or any Tranche thereof, is to be provided for in the manner and with the effect provided in this Section, the Trustee shall select such Securities, or portions of principal amount thereof, in the manner specified by Section 503 for selection for redemption of less than all the Securities of a series or Tranche.

In the event that Securities which shall be deemed to have been paid for purposes of this Mortgage, and, if such is the case, in respect of which the Company's indebtedness shall have been satisfied and discharged, all as provided in this Section, do not mature and are not to be redeemed within the 60-day period commencing with the date of the deposit of moneys or Eligible Obligations, as aforesaid, the Company shall, as promptly as practicable, give a notice, in the same manner as a notice of redemption with respect to such Securities, to the Holders of such Securities to the effect that such deposit has been made and the effect thereof.

Notwithstanding that any Securities shall be deemed to have been paid for purposes of this Mortgage, as aforesaid, the obligations of the Company and the Trustee in respect of such Securities under Sections 304, 305, 306, 702, 703, 1007 and 1015 and this Article shall survive.

The Company shall pay, and shall indemnify the Trustee or any Paying Agent with which Eligible Obligations shall have been deposited as provided in this Section against, any tax, fee or other charge imposed on or assessed against such Eligible Obligations or the principal or interest received in respect of such Eligible Obligations, including, but not limited to, any such tax payable by any entity deemed, for tax purposes, to have been created as a result of such deposit.

Anything herein to the contrary notwithstanding, (a) if, at any time after a Security would be deemed to have been paid for purposes of this Mortgage, and, if such is the case, the Company's indebtedness in respect thereof would be deemed to have been satisfied and discharged, pursuant to this Section (without regard to the provisions of this paragraph), the Trustee or any Paying Agent, as the case may be, (i) shall be required to return the money or Eligible Obligations, or combination thereof, deposited with it as aforesaid to the Company or its representative under any applicable Federal or State bankruptcy, insolvency or other similar law, or (ii) is unable to apply any money in accordance with this Article with respect to any Securities by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, such Security shall thereupon be deemed retroactively not to have been paid and any satisfaction and discharge of the Company's indebtedness in respect thereof shall retroactively be

deemed not to have been effected, and such Security shall be deemed to remain Outstanding and (b) any satisfaction and discharge of the Company's indebtedness in respect of any Security shall be subject to the provisions of the last paragraph of Section 703.

SECTION 802. EFFECTIVE TIME; SATISFACTION AND DISCHARGE OF MORTGAGE.

(a) Subsection (b) of this Section 802 shall be of no force or effect until the Second Effective Date, but shall automatically become and be in full force and effect on and after the Second Effective Date.

(b) This Mortgage shall upon Company Request cease to be of further effect (except as hereinafter expressly provided), and the Trustee, at the expense of the Company, shall execute such instruments as the Company shall reasonably request to evidence and acknowledge the satisfaction and discharge of this Mortgage, when:

(i) no Securities remain Outstanding hereunder; and

(ii) the Company has paid or caused to be paid all other sums payable hereunder by the Company;

provided, however, that if, in accordance with the last paragraph of Section 801, any Security, previously deemed to have been paid for purposes of this Mortgage, shall be deemed retroactively not to have been so paid, this Mortgage shall thereupon be deemed retroactively not to have been satisfied and discharged, as aforesaid, and to remain in full force and effect, and the Company shall execute and deliver such instruments as the Trustee shall reasonably request to evidence and acknowledge the same.

Notwithstanding the satisfaction and discharge of this Mortgage as aforesaid, the obligations of the Company and the Trustee under Sections 304, 305, 306, 702, 703, 1007 and 1015 and this Article shall survive.

Upon satisfaction and discharge of this Mortgage as provided in this Section, the Trustee shall assign, transfer and turn over to the Company, subject to the lien provided by Section 1007, any and all money, securities and other property then held by the Trustee for the benefit of the Holders of the Securities (other than money and Eligible Obligations held by the Trustee pursuant to Section 803) and shall execute and deliver to the Company such instruments as, in the reasonable judgment of the Company, shall be necessary, desirable or appropriate to effect or evidence the satisfaction and discharge of this Mortgage.

SECTION 803. APPLICATION OF TRUST MONEY.

Neither the Eligible Obligations nor the money deposited pursuant to Section 801, nor the principal or interest payments on any such Eligible Obligations, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest, if any, on the Securities or portions of principal amount thereof in respect of which such deposit was made, all subject, however, to the provisions of Section 703; provided, however, that so long as there shall not have occurred and be continuing an Event of Default, any

cash received from such principal or interest payments on such Eligible Obligations, if not then needed for such purpose, shall, to the extent practicable and upon Company Request and delivery to the Trustee of the documents referred to in clause (y) in the first paragraph of Section 801, be invested in Eligible Obligations of the type described in clause (b) in the first paragraph of Section 801 maturing at such times and in such amounts as shall be sufficient, together with any other moneys and the proceeds of any other Eligible Obligations then held by the Trustee, to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Securities or portions thereof on and prior to the Maturity thereof, and interest earned from such reinvestment shall be paid over to the Company as received, free and clear of any trust, lien or pledge under this Mortgage (except the lien provided by Section 1007); and provided, further, that, so long as there shall not have occurred and be continuing an Event of Default, any moneys held in accordance with this Section on the Maturity of all such Securities in excess of the amount required to pay the principal of and premium, if any, and interest, if any, then due on such Securities shall be paid over to the Company free and clear of any trust, lien or pledge under this Mortgage (except the lien provided by Section 1007); and provided, further, that if an Event of Default shall have occurred and be continuing, moneys to be paid over to the Company pursuant to this Section shall be held until such Event of Default shall have been waived or cured.

ARTICLE NINE

EVENTS OF DEFAULT; REMEDIES

SECTION 901. EVENTS OF DEFAULT.

“Event of Default”, wherever used herein with respect to Securities, means any one of the following events:

(a) Failure to pay any interest on any Security when it becomes due and payable and continuance of such default for a period of (1) prior to the Second Effective Date, 30 days, and (2) on and after the Second Effective Date, 90 Days; provided, however, that no such default shall constitute an “Event of Default” if the Company has made a valid extension of the interest payment period with respect to the Securities of such series, of which such Security is a part, if so provided as contemplated by Section 301; or

(b) Failure to pay the principal of or premium, if any, on any Security when it becomes due and payable; provided, however, that no such default shall constitute an “Event of Default” if the Company has made a valid extension of the Maturity of the Securities of the series, of which such Security is a part, if so provided as contemplated by Section 301; or

(c) Failure to perform or breach of, any covenant or warranty of the Company in this Mortgage (other than a covenant or warranty a default in the performance of which or breach of which is elsewhere in this Section specifically addressed) and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 33% in aggregate principal amount of the Outstanding Securities, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” hereunder, unless the Trustee, or the Trustee and the Holders of a principal amount of Securities not

less than the principal amount of Securities the Holders of which gave such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the Holders of such principal amount of Securities, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Company within such period and is being diligently pursued; or

(d) The entry by a court having jurisdiction in the premises of (1) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (2) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition by one or more Persons other than the Company seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State bankruptcy, insolvency or similar law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Company or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, and any such decree or order for relief or any such other decree or order shall have remained unstayed and in effect for a period of 90 consecutive days; or

(e) The commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Company to the entry of a decree or order for relief in respect of the Company in a case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company, or the filing by the Company of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State bankruptcy, insolvency, reorganization or similar law, or the consent by the Company to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by the Company of an assignment for the benefit of creditors, or the admission by the Company in writing of its inability to pay its debts generally as they become due, or the authorization of such action by the Board of Directors of the Company; or

(f) any other Event of Default with respect to Securities of such series as shall have been specified in the terms thereof as contemplated by Section 301(o).

SECTION 902. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.

If an Event of Default shall have occurred and be continuing, then in every such case the Trustee or the Holders of not less than a majority in principal amount of the Outstanding Securities may declare the principal amount (or, if any of the Securities of such series are Discount Securities, such portion of the principal amount of such Securities as may be specified in the terms thereof as contemplated by Section 301) of all of the Securities to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon receipt by the Company of notice of such declaration such principal amount (or specified amount) together with premium, if any, and accrued and unpaid interest shall become immediately due and payable.

At any time after such a declaration of acceleration of the maturity of the Securities then Outstanding shall have been made, but before any sale of any of the Mortgaged Property has been made and before a judgment or decree for payment of the money due shall have been obtained by the Trustee as provided in this Article, the Event or Events of Default giving rise to such declaration of acceleration shall, without further act, be deemed to have been cured, and such declaration and its consequences shall, without further act, be deemed to have been rescinded and annulled, if

(a) the Company shall have paid or deposited with the Trustee a sum sufficient to pay

(i) all overdue interest, if any, on all Securities then Outstanding;

(ii) the principal of and premium, if any, on any Securities then Outstanding which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Securities;

(iii) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such Securities;

(iv) all amounts due to the Trustee under Section 1007;

and

(b) all Events of Default, other than the non-payment of the principal of Securities of such series which shall have become due solely by such declaration of acceleration, shall have been cured or waived as provided in Section 913.

No such rescission shall affect any subsequent Event of Default or impair any right consequent thereon.

SECTION 903. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

If an Event of Default described in clause (a) or (b) of Section 901 shall have occurred, the Company shall, upon demand of the Trustee, pay to it, for the benefit of the Holders of the Securities with respect to which such Event of Default shall have occurred, the whole amount then due and payable on such Securities for principal and premium, if any, and interest, if any, and, to the extent permitted by law, interest on premium, if any, and on any overdue principal and interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 1007.

If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default shall have occurred and be continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Mortgage or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 904. TRUSTEE MAY FILE PROOFS OF CLAIM.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal, premium, if any, and interest, if any, owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for amounts due to the Trustee under Section 1007 and any claims of the Trustee as holder of Secured Debt) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amounts due it under Section 1007.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 905. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SECURITIES.

All rights of action and claims under this Mortgage or the Securities may be prosecuted and enforced by the Trustee, without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders in respect of which such judgment has been recovered.

SECTION 906. APPLICATION OF MONEY COLLECTED.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, to the extent permitted by law, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or premium, if any, or interest, if any, upon presentation of the Securities in respect of which or for the benefit of which such money shall have been collected and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 1007;

SECOND: To the payment of the amounts then due and unpaid upon the Securities for principal of and premium, if any, and interest, if any, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal, premium, if any, and interest, if any, respectively; and

THIRD: To the payment of the remainder, if any, to the Company or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

SECTION 907. LIMITATION ON SUITS.

No Holder shall have any right to institute any proceeding, judicial or otherwise, with respect to this Mortgage, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

- (a) such Holder shall have previously given written notice to the Trustee of a continuing Event of Default;
- (b) the Holders of a majority in aggregate principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;
- (c) such Holder or Holders shall have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceeding; and
- (e) no direction inconsistent with such written request shall have been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of the Outstanding Securities; it being understood and intended that no one or more of the Holders of any Securities shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Mortgage to affect, disturb or prejudice the rights of any other Holders or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Mortgage, except in the manner herein provided and for the equal and ratable benefit of all Holders.

SECTION 908. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST.

Notwithstanding any other provision in this Mortgage, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and premium, if any, and (subject to Section 307) interest, if any, on such Security on the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, subject to Section 504, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 909. RESTORATION OF RIGHTS AND REMEDIES.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Mortgage and such proceeding shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and such Holder shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and such Holder shall continue as though no such proceeding had been instituted.

SECTION 910. RIGHTS AND REMEDIES CUMULATIVE.

Except as otherwise provided in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 911. DELAY OR OMISSION NOT WAIVER.

No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 912. CONTROL BY HOLDERS OF SECURITIES.

If an Event of Default shall have occurred and be continuing, the Holders of a majority in principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to such Securities; provided, however, that

(a) such direction shall not be in conflict with any rule of law or with this Mortgage, and could not involve the Trustee in personal liability in circumstances where indemnity would not, in the Trustee's sole discretion, be adequate, and

(b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 913. WAIVER OF PAST DEFAULTS.

The Holders of not less than a majority in principal amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past default hereunder and its consequences, except a default:

(a) in the payment of the principal of or premium, if any, or interest, if any, on any Outstanding Security, or

(b) in respect of a covenant or provision hereof which under Section 1302 cannot be modified or amended without the consent of the Holder of each Outstanding Security of any series or Tranche affected.

Upon any such waiver, such default shall cease to exist, and any and all Events of Default arising therefrom shall be deemed to have been cured, for every purpose of this Mortgage; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 914. UNDERTAKING FOR COSTS.

The Company and the Trustee agree, and each Holder by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Mortgage, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in aggregate principal amount of the Securities then Outstanding, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or premium, if any, or interest, if any, on any Security on or after the Stated Maturity or Maturities expressed in such Security (or in the case of redemption, on or after the Redemption Date).

SECTION 915. WAIVER OF USURY, STAY OR EXTENSION LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Mortgage; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 916. DEFAULTS UNDER PRIOR LIENS.

In addition to every other right and remedy provided herein, the Trustee may (but shall not be obligated to) exercise any right or remedy available to the Trustee in its capacity as owner and holder of any Secured Debt which arises as a result of a default or matured event of default under any Prior Lien, whether or not an Event of Default shall then have occurred and be continuing.

SECTION 917. RECEIVER AND OTHER REMEDIES.

If an Event of Default shall have occurred and, during the continuance thereof, the Trustee shall have commenced judicial proceedings to enforce any right under this Mortgage, the Trustee shall, to the extent permitted by law, be entitled, as against the Company, to the appointment of a receiver of the Mortgaged Property and subject to the rights, if any, of others to receive collections from former, present or future customers of the rents, issues, profits, revenues and other income thereof, and whether or not any receiver is appointed, the Trustee shall be entitled to retain possession and control of, and to collect and receive the income from cash, securities and other personal property held by the Trustee hereunder and to all other remedies available to mortgagees and secured parties under the Uniform Commercial Code or any other applicable law.

ARTICLE TEN

THE TRUSTEE

SECTION 1001. CERTAIN DUTIES AND RESPONSIBILITIES.

(a) The Trustee shall have and be subject to all the duties and responsibilities specified with respect to a Mortgage trustee in the Trust Indenture Act and no implied covenants or obligations shall be read into this Mortgage against the Trustee. For purposes of Sections 315(a) and 315(c) of the Trust Indenture Act, the term “default” is hereby defined as an Event of Default which has occurred and is continuing.

(b) No provision of this Mortgage shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) Notwithstanding anything contained in this Mortgage to the contrary, the duties and responsibilities of the Trustee under this Mortgage shall be subject to the protections, exculpations and limitations on liability afforded to a Mortgage trustee under the provisions of the Trust Indenture Act. For the purposes of Sections 315(b) and 315(d)(2) of the Trust Indenture Act, the term “responsible officer” is hereby defined as a Responsible Officer.

(d) Whether or not therein expressly so provided, every provision of this Mortgage relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 1002. NOTICE OF DEFAULTS.

The Trustee shall give notice of any default hereunder known to the Trustee in the manner and to the extent required to do so by the Trust Indenture Act, unless such default shall have been cured or waived; provided, however, that in the case of any default of the character specified in Section 901(c), no such notice to Holders shall be given until at least 60 days after the occurrence thereof. For the purpose of this Section, the term “default” means any event which is, or after notice or lapse of time, or both, would become, an Event of Default.

SECTION 1003. CERTAIN RIGHTS OF TRUSTEE.

Subject to the provisions of Section 1001 and to the applicable provisions of the Trust Indenture Act:

(a) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order, or as otherwise expressly provided herein, and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Mortgage the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Mortgage at the request or direction of any Holder pursuant to this Mortgage, unless such Holder shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall (subject to applicable legal requirements) be entitled to examine, during normal business hours, the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be charged with knowledge of any default (as defined in Section 1002) or Event of Default unless either (1) a Responsible Officer of the Trustee shall have actual knowledge of such default or Event of Default or (2) written notice of such default or Event of Default shall have been given to the Trustee by the Company or any other obligor on such Securities, or by any Holder of such Securities.

(i) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder; and

(j) the Trustee shall not be liable for any action taken, suffered or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Mortgage.

SECTION 1004. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES.

The recitals contained herein and in the Securities (except the Trustee's certificates of authentication) shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes responsibility for their correctness. The Trustee makes no representations as to the value or condition of the Mortgaged Property, the title of the Company to the Mortgaged Property, the security afforded by the Lien of this Mortgage, the validity or genuineness of any securities deposited with the Trustee hereunder, or the validity or sufficiency of this Mortgage or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof or any money paid to the Company hereunder.

SECTION 1005. MAY HOLD SECURITIES.

Each of the Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 1008 and 1013, may otherwise deal with the Company with the same rights it would have if it were not the Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 1006. MONEY HELD IN TRUST.

Money held by the Trustee in trust hereunder need not be segregated from other funds, except to the extent required by law. The Trustee shall be under no liability for interest on or investment of any money received by it hereunder except as expressly provided herein or otherwise agreed with, and for the sole benefit of, the Company.

SECTION 1007. COMPENSATION AND REIMBURSEMENT.

The Company shall

(a) pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any provision of this Mortgage (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except to the extent that any such expense, disbursement or advance may be attributable to the Trustee's negligence, willful misconduct or bad faith; and

(c) indemnify the Trustee for, and hold it harmless from and against, any loss, liability or expense reasonably incurred by it arising out of or in connection with the acceptance or administration of the trust or trusts hereunder or the performance of its duties hereunder, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder except to the extent any such loss, liability or expense may be attributable to its negligence, willful misconduct or bad faith.

As security for the performance of the obligations of the Company under this Section, the Trustee shall have a lien prior to the Securities upon the Mortgaged Property and all property and funds held or collected by the Trustee as such, other than property and funds held in trust under Section 803 (except moneys payable to the Company as provided in Section 803).

In addition and without prejudice to the rights provided to the Trustee under any of the provisions of this Mortgage, when the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 901(d) or Section 901(e), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal and State bankruptcy, insolvency or other similar law.

The Company's obligations under this Section 1007 and the Lien referred to in this Section 1007 shall survive the resignation or removal of the Trustee, the discharge of the Company's obligations under Article Eight of this Mortgage and/or the termination of this Mortgage.

"TRUSTEE" for purposes of this Section 1007 shall include any predecessor Trustee; provided, however, that the negligence, willful misconduct or bad faith of any Trustee hereunder shall not affect the rights of any other Trustee hereunder.

SECTION 1008. DISQUALIFICATION; CONFLICTING INTERESTS.

If the Trustee shall have or acquire any conflicting interest within the meaning of the Trust Indenture Act, it shall either eliminate such conflicting interest or resign to the extent, in the manner and with the effect, and subject to the conditions, provided in the Trust Indenture Act and this Indenture. For purposes of Section 310(b)(1) of the Trust Indenture Act and to the extent

permitted thereby, the Trustee, in its capacity as trustee in respect of the Securities of any series, shall not be deemed to have a conflicting interest arising from its capacity as trustee in respect of the Securities of any other series issued under this Mortgage. Nothing herein shall prevent the Company or the Trustee from filing with the Commission an application of the type referred to in clause (ii) of paragraph (1) or in the second to last paragraph of Section 310(b) of the Trust Indenture Act.

SECTION 1009. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY.

There shall at all times be a Trustee hereunder which shall be

(a) a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by Federal, State or District of Columbia authority, or

(b) if and to the extent permitted by the Commission by rule, regulation or order upon application, a corporation or other Person organized and doing business under the laws of a foreign government, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 or the Dollar equivalent of the applicable foreign currency and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees, and, in either case, qualified and eligible under this Article and the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section and the Trust Indenture Act, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 1010. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 1011.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 1011 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Trustee and the Company.

(d) If at any time:

(i) the Trustee shall fail to comply with Section 1008 after written request therefor by the Company or by any Holder who has been a bona fide Holder for at least 6 months, or

(ii) the Trustee shall cease to be eligible under Section 1009 or Section 310(a) of the Trust Indenture Act and shall fail to resign after written request therefor by the Company or by any such Holder, or

(iii) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (x) the Company by Board Resolutions may remove the Trustee with respect to all Securities or (y) subject to Section 914, any Holder who has been a bona fide Holder for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause (other than as contemplated by clause (y) in subsection (d) of this Section), the Company, by Board Resolutions, shall promptly appoint a successor Trustee or Trustees and shall comply with the applicable requirements of Section 1011. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 1011, become the successor Trustee and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 1011, any Holder who has been a bona fide Holder of a Security of such series for at least 6 months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) So long as no event which is, or after notice or lapse of time, or both, would become, an Event of Default shall have occurred and be continuing, and except with respect to a Trustee appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities pursuant to subsection (e) of this Section, if the Company shall have delivered to the Trustee (i) Board Resolutions appointing a successor Trustee, effective as of a date specified therein, and (ii) an instrument of acceptance of such appointment, effective as of such date, by such successor Trustee in accordance with Section 1011, the Trustee shall be deemed to have resigned as contemplated in subsection (b) of this Section, the successor Trustee shall be deemed to have been appointed by the Company pursuant to subsection (e) of this Section and such appointment shall be deemed to have been accepted as contemplated in Section 1011, all as of such date, and all other

provisions of this Section and Section 1011 shall be applicable to such resignation, appointment and acceptance except to the extent inconsistent with this subsection (f).

(g) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders of Securities in the manner provided in Section 107. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 1011. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

(a) In case of the appointment hereunder of a successor Trustee, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of all sums owed to it, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its Lien provided for in Section 1007.

(b) Upon request of any such successor Trustee, the Company shall execute any instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in subsection (a) of this Section.

(c) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 1012. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 1013. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

If the Trustee shall be or become a creditor of the Company or any other obligor upon the Securities (other than by reason of a relationship described in Section 311(b) of the Trust Indenture Act), the Trustee shall be subject to any and all applicable provisions of the Trust Indenture Act regarding the collection of claims against the Company or such other obligor. For purposes of Section 311(b) of the Trust Indenture Act (a) the term “cash transaction” shall have the meaning provided in Rule 11b-4 under the Trust Indenture Act, and (b) the term “self-liquidating paper” shall have the meaning provided in Rule 11b-6 under the Trust Indenture Act.

SECTION 1014. CO-TRUSTEE AND SEPARATE TRUSTEES.

At any time or times, for the purpose of meeting the legal requirements of any applicable jurisdiction, the Company and the Trustee shall have power to appoint, and, upon the written request of the Trustee or of the Holders of at least 33% in principal amount of the Securities then Outstanding, the Company shall for such purpose join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee either to act as co-trustee, jointly with the Trustee, or to act as separate trustee, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons, in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Company does not join in such appointment within 15 days after the receipt by it of a request so to do, or if an Event of Default shall have occurred and be continuing, the Trustee alone shall have power to make such appointment.

Should any written instrument or instruments from the Company be required by any co-trustee or separate trustee to more fully confirm to such co-trustee or separate trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Company.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following conditions:

(a) the Securities shall be authenticated and delivered, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder, shall be exercised solely, by the Trustee;

(b) the rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed either by the Trustee or by the Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee.

(c) the Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Company, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, if an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Company. Upon the written request of the Trustee, the Company shall join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section;

(d) no co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Trustee, or any other such trustee hereunder, and the Trustee shall not be personally liable by reason of any act or omission of any such co-trustee or separate trustee; and

(e) any Act of Holders delivered to the Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

SECTION 1015. APPOINTMENT OF AUTHENTICATING AGENT.

The Trustee may appoint an Authenticating Agent or Agents with respect to the Securities of one or more series, or any Tranche thereof, which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series or Tranche issued upon original issuance, exchange, registration of transfer or partial redemption thereof or pursuant to Section 506, and Securities so authenticated shall be entitled to the benefits of this Mortgage and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Mortgage to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State or territory thereof or the District of Columbia or the Commonwealth of Puerto Rico, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section,

without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

The provisions of Sections 308, 1004 and 1005 shall be applicable to each Authenticating Agent.

If an appointment with respect to the Securities of one or more series, or any Tranche thereof, shall be made pursuant to this Section, the Securities of such series or Tranche may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Mortgage.

By _____
As Authenticating Agent

By _____
Authorized Officer

If all of the Securities of a series may not be originally issued at one time, and if the Trustee does not have an office capable of authenticating Securities upon original issuance located in a Place of Payment where the Company wishes to have Securities of such series authenticated upon original issuance, the Trustee, if so requested by the Company in writing (which writing need not comply with Section 103 and need not be accompanied by an Opinion of Counsel), shall appoint, in accordance with this Section and in accordance with such procedures as shall be acceptable to the Trustee, an Authenticating Agent having an office in a Place of Payment designated by the Company with respect to such series of Securities.

ARTICLE ELEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 1101. LISTS OF HOLDERS.

Semiannually, not later than June 1 and December 1 in each year, commencing December 1, 2011 and at such other times as the Trustee may request in writing, the Company shall furnish or cause to be furnished to the Trustee information as to the names and addresses of the Holders, and the Trustee shall preserve such information and similar information received by it in any other capacity and afford to the Holders access to information so preserved by it, all to such extent, if any, and in such manner as shall be required by the Trust Indenture Act; provided, however, that no such list need be furnished so long as the Trustee shall be the Security Registrar.

SECTION 1102. REPORTS BY TRUSTEE AND COMPANY.

Not later than November 1 in each year, commencing with the year 2011, the Trustee shall transmit to the Holders, the Commission and each securities exchange upon which any Securities are listed, a report, dated as of the next preceding September 15, with respect to any events and other matters described in Section 313(a) of the Trust Indenture Act, in such manner and to the extent required by the Trust Indenture Act. The Trustee shall transmit to the Holders, the Commission and each securities exchange upon which any Securities are listed, and the Company shall file with the Trustee (within 30 days after filing with the Commission in the case of reports which pursuant to the Trust Indenture Act must be filed with the Commission and furnished to the Trustee) and transmit to the Holders, such other information, reports and other documents, if any, at such times and in such manner, as shall be required by the Trust Indenture Act. The Company shall notify the Trustee of the listing of any Securities on any securities exchange.

Delivery of such reports, information and documents to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute notice or constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

The Company shall file with the Trustee (within 30 days after filing with the Commission in the case of reports that pursuant to the Trust Indenture Act must be filed with the Commission and furnished to the Trustee) and transmit to the Holders, such other information, reports and other documents, if any, at such times and in such manner, as shall be required by the Trust Indenture Act.

ARTICLE TWELVE

CONSOLIDATION, MERGER, CONVEYANCE, OR OTHER TRANSFER

SECTION 1201. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS.

The Company shall not consolidate with or merge into any other corporation, or convey or otherwise transfer, or lease, as, or substantially as, an entirety the Company's Electric Utility Property to any Person, unless:

(a) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or other transfer, or which leases, as or substantially as an entirety such Electric Utility Property shall be a corporation organized and existing under the laws of the United States, any State or Territory thereof or the District of Columbia (such corporation being hereinafter sometimes called the "Successor Company") and shall execute and deliver to the Trustee a Mortgage supplemental hereto, in form recordable and reasonably satisfactory to the Trustee, which:

(i) in the case of a consolidation, merger, conveyance or other transfer, or in the case of a lease if the term thereof extends beyond the last Stated Maturity of the Securities then Outstanding, contains an express assumption by the Successor Company of the due and punctual payment of the principal of and premium, if any, and interest, if any, on all the Securities then Outstanding and the performance and observance of every covenant and condition of this Mortgage to be performed or observed by the Company, and

(ii) in the case of a consolidation, merger, conveyance or other transfer contains a grant, conveyance, transfer and mortgage by the Successor Company, of the same tenor of the Granting Clauses herein,

(A) confirming the Lien of this Mortgage on the Mortgaged Property (as constituted immediately prior to the time such transaction became effective) and subjecting to the Lien of this Mortgage all property, real, personal and mixed, thereafter acquired by the Successor Company which shall constitute an improvement, extension or addition to the Mortgaged Property (as so constituted) or a renewal, replacement or substitution of or for any part thereof, and,

(B) at the election of the Successor Company, subjecting to the Lien of this Mortgage such property, real, personal or mixed, in addition to the property described in subclause (A) above, then owned or thereafter acquired by the Successor Company as the Successor Company shall, in its sole discretion, specify or describe therein,

and the Lien confirmed or created by such grant, conveyance, transfer and mortgage shall have force, effect and standing similar to those which the Lien of this Mortgage would have had if the Company had not been a party to such consolidation, merger, conveyance or other transfer and had itself, after the time such transaction became effective, purchased, constructed or otherwise acquired the property subject to such grant, conveyance, transfer and mortgage;

(b) in the case of a lease, such lease shall be made expressly subject to termination at any time during the continuance of an Event of Default, by (i) the Company or the Trustee and (ii) the purchaser of the property so leased at any sale thereof hereunder, whether such sale be made under the power of sale hereby conferred or pursuant to judicial proceedings;

(c) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each of which shall state that such consolidation, merger, conveyance or other transfer or lease, and such supplemental Mortgage, comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with; and

(d) immediately after giving effect to such transaction (and treating any Debt that becomes an obligation of the Successor Company as a result of such transaction as having been incurred by the Successor Company at the time of such transaction), no Event of Default shall have occurred and be continuing.

As used in this Article and in Section 1610(d), the terms "improvement", "extension" and "addition" shall be limited to (a) with respect to real property subject to the Lien of this Mortgage, any item of personal property which has been so affixed or attached to such real property as to be regarded a part of such real property under applicable law and (b) with respect to personal property subject to the Lien of this Mortgage, any improvement, extension or addition to such personal property which (i) is made to maintain, renew, repair or improve the function of such personal property and (ii) is physically installed in or affixed to such personal property.

SECTION 1202. SUCCESSOR COMPANY SUBSTITUTED.

Upon any consolidation or merger or any conveyance or other transfer of, as or substantially as an entirety the Company's Electric Utility Property in accordance with Section 1201, the Successor Company shall succeed to, and be substituted for, and may exercise every power and right of, the Company under this Mortgage with the same effect as if such Successor Company had been named as the "Company" herein. Without limiting the generality of the foregoing:

(a) all property of the Successor Company then subject to the Lien of this Mortgage, of the character described in Section 102, shall constitute Property Additions;

(b) the Successor Company may execute and deliver to the Trustee, and thereupon the Trustee shall, subject to the provisions of Article Four, authenticate and deliver, Securities meeting the requirements of Article Four; and

(c) the Successor Company may, subject to the applicable provisions of this Mortgage, use Property Additions for any other purpose under the Mortgage.

All Securities so executed by the Successor Company, and authenticated and delivered by the Trustee, shall in all respects be entitled to the benefit of the Lien of this Mortgage equally and ratably with all Securities executed, authenticated and delivered prior to the time such consolidation, merger, conveyance or other transfer became effective.

SECTION 1203. EXTENT OF LIEN HEREOF ON PROPERTY OF SUCCESSOR COMPANY.

Unless, in the case of a consolidation, merger, conveyance or other transfer contemplated by Section 1201, the Mortgage supplemental hereto contemplated in Section 1201 or in Article Thirteen expressly provides otherwise, neither this Mortgage nor such supplemental Mortgage shall become or be, or be required to become or be, a Lien upon any of the properties:

(a) owned by the Successor Company or any other party to such transaction (other than the Company) immediately prior to the time of effectiveness of such transaction or

(b) acquired by the Successor Company at or after the time of effectiveness of such transaction, except, in either case, properties acquired from the Company in or as a result of such transaction and improvements, extensions and additions to such properties and renewals, replacements and substitutions of or for any part or parts thereof.

SECTION 1204. RELEASE OF COMPANY UPON CONVEYANCE OR OTHER TRANSFER.

In the case of a conveyance or other transfer to any Person or Persons as contemplated in Section 1201, upon the satisfaction of all the conditions specified in Section 1201 the Company (such term being used in this Section without giving effect to such transaction) shall be released and discharged from all obligations and covenants under this Mortgage and on and under all Securities then Outstanding (unless the Company shall have delivered to the Trustee an instrument in which it shall waive such release and discharge) and, upon request by the Company, the Trustee shall acknowledge in writing that the Company has been so released and discharged.

SECTION 1205. MERGER INTO COMPANY; EXTENT OF LIEN HEREOF.

(a) Nothing in this Mortgage shall be deemed to prevent or restrict any consolidation or merger after the consummation of which the Company would be the surviving or resulting corporation or any conveyance or other transfer, or lease, of any part of the Company's Electric Utility Property which does not constitute the entirety or substantially the entirety of its Electric Utility Property.

(b) Unless, in the case of a consolidation or merger described in subsection (a) of this Section, a Mortgage supplemental hereto shall otherwise provide, this Mortgage shall not become or be, or be required to become or be, a Lien upon any of the properties acquired by the Company in or as a result of such transaction or any improvements, extensions or additions to such properties or any renewals, replacements or substitutions of or for any part or parts thereof.

SECTION 1206. TRANSFER OF LESS THAN SUBSTANTIALLY ALL.

This Article is not intended to limit the Company's conveyances, transfers or leases of less than the entirety or substantially the entirety of its Electric Utility Property.

ARTICLE THIRTEEN

SUPPLEMENTAL MORTGAGES

SECTION 1301. SUPPLEMENTAL MORTGAGES WITHOUT CONSENT OF HOLDERS.

Without the consent of any Holders, the Company and the Trustee, at any time and from time to time, may enter into one or more Mortgages supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(a) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities all as provided in Article Twelve; or

(b) to add one or more covenants of the Company or other provisions for the benefit of the Holders of all or any series of Securities, or any Tranche, thereof or to surrender any right or power herein conferred upon the Company (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series); or

(c) to add any additional Events of Default with respect to all or any series of Securities Outstanding hereunder (and if such additional Events of Default are to be for the benefit of less than all series of Securities, stating that such additional Events of Default are expressly being included solely for the benefit of such series); or

(d) to change or eliminate any provision of this Mortgage or to add any new provision to this Mortgage; provided, however, that if such change, elimination or addition shall adversely affect the interests of the Holders of Securities of any series or Tranche Outstanding on the date of such supplemental Mortgage in any material respect, such change, elimination or addition shall become effective with respect to such series or Tranche only pursuant to the provisions of Section 1302 hereof or when no Security of such series or Tranche remains Outstanding; or

(e) to provide additional collateral security for the Securities of any series; or

(f) to establish the form or terms of Securities of any series or Tranche as contemplated by Sections 201 and 301; or

(g) to provide for the authentication and delivery of bearer Securities and coupons appertaining thereto representing interest, if any, thereon and for the procedures for the registration, exchange and replacement thereof and for the giving of notice to, and the solicitation of the vote or consent of, the holders thereof, and for any and all other matters incidental thereto; or

(h) to evidence and provide for the acceptance of appointment hereunder by a separate or successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Mortgage as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 1011(b); or

(i) to provide for the procedures required to permit the Company to utilize, at its option, a non-certificated system of registration for all, or any series or Tranche of, the Securities; or

(j) to change any place or places where (1) the principal of and premium, if any, and interest, if any, on all or any series of Securities, or any Tranche thereof, shall be payable, (2) all or any series of Securities, or any Tranche thereof, may be surrendered for registration of transfer, (3) all or any series of Securities, or any Tranche thereof, may be surrendered for exchange and (4) notices and demands to or upon the Company in respect of all or any series of Securities, or any Tranche thereof, and this Mortgage may be served;

(k) to amend and restate this Mortgage, as originally executed and delivered and as it may have been subsequently amended, in its entirety, but with such additions, deletions and other changes as shall not adversely affect the interests of the Holders of the Securities in any material respect; or

(l) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other changes to the provisions hereof or to add other provisions with respect to matters or questions arising under this Mortgage, provided that such other changes or additions shall not materially adversely affect the interests of the Holders of Securities of any series or Tranche in any material respect.

Without limiting the generality of the foregoing, if the Trust Indenture Act as in effect at the First Effective Date or at any time thereafter shall be amended and

(x) if any such amendment shall require one or more changes to any provisions hereof or the inclusion herein of any additional provisions, or shall by operation of law be deemed to effect such changes or incorporate such provisions by reference or otherwise, this Mortgage shall be deemed to have been amended so as to conform to such amendment to the Trust Indenture Act, and the Company and the Trustee may, without the consent of any Holders, enter into a Mortgage supplemental hereto to evidence such amendment hereof; or

(y) if any such amendment shall permit one or more changes to, or the elimination of, any provisions hereof which, at the First Effective Date or at any time thereafter, are required by the Trust Indenture Act to be contained herein or are contained herein to reflect any provision of the Trust Indenture Act as in effect at such date, this Mortgage shall be deemed to have been amended to effect such changes or elimination, and the Company and the Trustee may, without the consent of any Holders, enter into a Mortgage supplemental hereto to this Mortgage to effect such changes or elimination or evidence such amendment.

SECTION 1302. SUPPLEMENTAL MORTGAGES WITH CONSENT OF HOLDERS.

Subject to the provisions of Section 1301, with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of all series then Outstanding under this Mortgage, considered as one class, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into a Mortgage or Mortgages supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Mortgage or modifying in any manner the rights of the Holders of Securities of any series under this Mortgage; provided, however, that if there shall be Securities of more than one series Outstanding hereunder and if a proposed Mortgage supplemental hereto shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such series, then the consent only of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of all series so directly affected, considered as one class, shall be required; and provided, further, that if the Securities of any series shall have been issued in more than one Tranche and if the proposed supplemental Mortgage shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such Tranches, then the consent only of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that no such supplemental Mortgage shall, without the consent of the Holder of each Outstanding Security of each series or Tranche so directly affected,

(a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security (other than pursuant to the terms thereof), or reduce the principal amount thereof or the rate of interest thereon (or the amount of any installment of interest thereon) or change the method of calculating such rate or reduce any premium payable upon the redemption thereof, or reduce the amount of the principal of a Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 902, or change the coin or currency (or other property), in which any Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date);

(b) except as contemplated by Section 1601(b), deprive such Holder of the benefit of the security of the Lien of this Mortgage on any material part of the Mortgaged Property; provided that such consent of the Holders of each Outstanding Security of each series or Tranche so directly affected shall not be required with respect to any Mortgage supplement hereto that releases one or more properties from the lien of the Mortgage if the lesser of the aggregate Cost or aggregate Fair Value of all properties to be released and theretofore released without the consent of the Holders pursuant to this Section 1302(b) is not greater than 10% of the lesser of the aggregate Cost or aggregate Fair Value of the Mortgaged Property as of the end of the calendar year in which the First Effective Date occurs. Prior to executing any such supplemental indenture, there shall be delivered to the Trustee (x) an Officers' Certificate stating that, to the knowledge of the signers, no Event of Default has occurred and is continuing and (y) an Experts' Certificate stating, in the judgment of the signers, the aggregate Fair Value of the property to be released and theretofore released without the consent of the Holders pursuant to this Section 1302(b) since the First

Effective Date is not greater than 10% of the aggregate Fair Value of the Mortgaged Property as of the end of the calendar year in which the First Effective Date occurs;

(c) reduce the percentage in principal amount of the Outstanding Securities of any series or any Tranche thereof, the consent of the Holders of which is required for any such supplemental Mortgage, or the consent of the Holders of which is required for any waiver of compliance with any provision of this Mortgage or of any default hereunder and its consequences, or reduce the requirements of Section 1404 for quorum or voting;

(d) modify any of the provisions of this Section, Section 706 or Section 913 with respect to the Securities of any series, or any Tranche thereof, except to increase the percentages in principal amount referred to in this Section or such other Sections or to provide that other provisions of this Mortgage cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby; provided, however, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to “the Trustee” and concomitant changes in this Section, or the deletion of this proviso, in accordance with the requirements of Sections 1011(b), 1014 and 1301(h); or

(e) prior to the Second Effective Date, modify the provisions of Section 1612 to permit the Company to create Prior Liens or suffer Prior Liens to be created on any material part of the Mortgaged Property.

A supplemental Mortgage which (x) changes or eliminates any covenant or other provision of this Mortgage which has expressly been included solely for the benefit of the Holders of, or which is to remain in effect only so long as there shall be Outstanding, Securities of one or more particular series, or one or more Tranches thereof, or (y) modifies the rights of the Holders of Securities of such series or Tranches with respect to such covenant or other provision, shall be deemed not to affect the rights under this Mortgage of the Holders of Securities of any other series or Tranche.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental Mortgage, but it shall be sufficient if such Act shall approve the substance thereof.

Anything in this Mortgage to the contrary notwithstanding, if the Officers’ Certificate, supplemental Mortgage or Board Resolution, as the case may be, establishing the Securities of any series or Tranche shall provide that the Company may make certain specified additions, changes or eliminations to or from the Mortgage which shall be specified in such Officers’ Certificate, supplemental Mortgage or Board Resolution establishing such series or Tranche, (a) the Holders of Securities of such series or Tranche shall be deemed to have consented to a supplemental Mortgage containing such additions, changes or eliminations to or from the Mortgage which shall be specified in such Officers’ Certificate, supplemental Mortgage or Board Resolution establishing such series or Tranche, (b) no Act of such Holders shall be required to evidence such consent and (c) such consent may be counted in the determination of whether or not the Holders of the requisite principal amount of Securities shall have consented to such supplemental Mortgage.

SECTION 1303. EXECUTION OF SUPPLEMENTAL MORTGAGES.

In executing, or accepting the additional trusts created by, any supplemental Mortgage permitted by this Article or the modifications thereby of the trusts created by this Mortgage, the Trustee shall be entitled to receive, and (subject to Section 1001) shall be fully protected in relying upon, an Opinion of Counsel and an Officers' Certificate stating that the execution of such supplemental Mortgage is authorized or permitted by this Mortgage and containing the statements required by Section 103. The Trustee may, but shall not be obligated to, enter into any such supplemental Mortgage which adversely affects the Trustee's own rights, duties, immunities or liabilities under this Mortgage or otherwise.

SECTION 1304. EFFECT OF SUPPLEMENTAL MORTGAGES.

Upon the execution of any supplemental Mortgage under this Article this Mortgage shall be modified in accordance therewith, and such supplemental Mortgage shall form a part of this Mortgage for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby. Any supplemental Mortgage permitted by this Article may restate this Mortgage in its entirety, and, upon the execution and delivery thereof, any such restatement shall supersede this Mortgage as theretofore in effect for all purposes.

SECTION 1305. CONFORMITY WITH TRUST INDENTURE ACT.

Every supplemental Mortgage executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 1306. REFERENCE IN SECURITIES TO SUPPLEMENTAL MORTGAGES.

Securities of any series, or any Tranche thereof, authenticated and delivered after the execution of any supplemental Mortgage pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental Mortgage. If the Company shall so determine, new Securities of any series, or any Tranche thereof, so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental Mortgage may be prepared and executed by the Company, and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series or Tranche.

SECTION 1307. MODIFICATION WITHOUT SUPPLEMENTAL MORTGAGE.

To the extent, if any, that the terms of any particular series of Securities shall have been established in or pursuant to a Board Resolution or an Officers' Certificate pursuant to a supplemental Mortgage or Board Resolution as contemplated by Section 301, and not in a Mortgage supplemental hereto, additions to, changes in or the elimination of any of such terms may be effected by means of a supplemental Board Resolution or Officers' Certificate pursuant to a Board Resolution or a supplemental Mortgage and complying with the requirements of Section 104, as the case may be, delivered to, and accepted by, the Trustee in writing; provided, however, that such supplemental Board Resolution or Officers' Certificate shall not be accepted by the Trustee or otherwise be effective unless all conditions set forth in this Mortgage which would be required to be satisfied if such additions, changes or elimination were contained in a supplemental

Mortgage shall have been appropriately satisfied. Upon the written acceptance thereof by the Trustee, any such supplemental Board Resolution or Officers' Certificate shall be deemed to be effective and constitute part of the Mortgage and a supplemental Mortgage hereunder, including for purposes of Section 1614. Such acceptance shall be conveyed by a written instrument signed by a Responsible Officer of the Trustee.

ARTICLE FOURTEEN

MEETINGS OF HOLDERS; ACTION WITHOUT MEETING

SECTION 1401. PURPOSES FOR WHICH MEETINGS MAY BE CALLED.

A meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Mortgage to be made, given or taken by Holders of Securities of such series or Tranches.

SECTION 1402. CALL, NOTICE AND PLACE OF MEETINGS.

(a) The Trustee may at any time call a meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, for any purpose specified in Section 1401, to be held at such time and at such place as the Trustee shall determine with the approval of the Company. Notice of every such meeting, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 107, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(b) If the Trustee shall have been requested to call a meeting of the Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, by the Company or by the Holders of 33% in aggregate principal amount of all of such series and Tranches, considered as one class, for any purpose specified in Section 1302, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have given the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities of such series and Tranches in the amount above specified, as the case may be, may determine the time and the place in the city in which the Corporate Trust Office is located, or in such other place as shall be determined or approved by the Company, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section.

(c) Any meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, shall be valid without notice if the Holders of all Outstanding Securities of such series or Tranches are present in person or by proxy and if representatives of the Company and the Trustee are present, or if notice is waived in writing before or after the meeting by the Holders of all Outstanding Securities of such series, or any Tranche or Tranches thereof or by such of them as are not present at the meeting in person or by proxy, and by the Company and the Trustee.

SECTION 1403. PERSONS ENTITLED TO VOTE AT MEETINGS.

To be entitled to vote at any meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, a Person shall be (a) a Holder of one or more Outstanding Securities of such series or Tranches, or (b) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series or Tranches by such Holder or Holders. The only Persons who shall be entitled to attend any meeting of Holders of Securities of any series or Tranche shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 1404. QUORUM; ACTION.

The Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of the series and Tranches with respect to which a meeting shall have been called as hereinbefore provided, considered as one class, shall constitute a quorum for a meeting of Holders of Securities of such series and Tranches; provided, however, that if any action is to be taken at such meeting which this Mortgage expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, the Persons entitled to vote such specified percentage in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, shall constitute a quorum. In the absence of a quorum within one hour of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series and Tranches, be dissolved. In any other case the meeting may be adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Except as provided by Section 1405(e), notice of the reconvening of any meeting adjourned for more than 30 days shall be given as provided in Section 1402(a) not less than ten days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities of such series and Tranches which shall constitute a quorum.

Except as limited by Section 1302, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of the Holders of a majority in aggregate principal amount of the Outstanding Securities of the series and Tranches with respect to which such meeting shall have been called, considered as one class; provided, however, that, except as so limited, any resolution with respect to any action which this Mortgage expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of such series and Tranches, considered as one class.

Any resolution passed or decision taken at any meeting of Holders of Securities duly held in accordance with this Section shall be binding on all the Holders of Securities of the series and Tranches with respect to which such meeting shall have been held, whether or not present or represented at the meeting.

SECTION 1405. ATTENDANCE AT MEETINGS; DETERMINATION OF VOTING RIGHTS; CONDUCT AND ADJOURNMENT OF MEETINGS.

(a) Attendance at meetings of Holders of Securities may be in person or by proxy; and, to the extent permitted by law, any such proxy shall remain in effect and be binding upon any future Holder of the Securities with respect to which it was given unless and until specifically revoked by the Holder or future Holder of such Securities before being voted.

(b) Notwithstanding any other provisions of this Mortgage, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities in regard to proof of the holding of such Securities and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 105 and the appointment of any proxy shall be proved in the manner specified in Section 105. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 105 or other proof.

(c) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided in Section 1402(b), in which case the Company or the Holders of Securities of the series and Tranches calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches represented in person or by proxy at the meeting, considered as one class.

(d) At any meeting each Holder or proxy shall be entitled to one vote for each \$1,000 principal amount of Securities held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security or proxy.

(e) Any meeting duly called pursuant to Section 1402 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches represented at the meeting, considered as one class; and the meeting may be held as so adjourned without further notice.

SECTION 1406. COUNTING VOTES AND RECORDING ACTION OF MEETINGS.

The vote upon any resolution submitted to any meeting of Holders shall be by written ballots on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities, of the series and Tranches with respect to which the meeting shall have been called, held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports of all votes cast at the meeting. A record, in duplicate, of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1402 and, if applicable, Section 1404. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 1407. ACTION WITHOUT MEETING.

In lieu of a vote of Holders at a meeting as hereinbefore contemplated in this Article, any request, demand, authorization, direction, notice, consent, waiver or other action may be made, given or taken by Holders by one or more written instruments as provided in Section 105.

ARTICLE FIFTEEN

IMMUNITY OF INCORPORATORS, SHAREHOLDERS, OFFICERS AND DIRECTORS

SECTION 1501. LIABILITY SOLELY CORPORATE.

No recourse shall be had for the payment of the principal of or premium, if any, or interest, if any, on any Securities or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under this Mortgage, against any incorporator, shareholder, member, limited partner, officer, manager or director, as such, past, present or future of the Company or of any predecessor or successor of the Company (either directly or through the Company or a predecessor or successor of the Company), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that this Mortgage and all the Securities are solely corporate obligations, and that no personal liability whatsoever shall attach to, or be incurred by, any incorporator, shareholder, member, limited partner, officer, manager or director, past, present or future, of the Company or of any predecessor or successor of the Company, either directly or indirectly through the Company or any predecessor or successor of the Company, because of the indebtedness hereby authorized or under or by reason of any of the obligations, covenants or agreements contained in this Mortgage or in any of the Securities or to be implied herefrom or therefrom, and that any such personal liability is

hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of this Mortgage and the issuance of the Securities.

ARTICLE SIXTEEN

POSSESSION, USE AND RELEASE OF MORTGAGED PROPERTY

SECTION 1601. QUIET ENJOYMENT; INSTRUMENTS RELEASING EXCEPTED PROPERTY.

(a) Unless one or more Events of Default shall have occurred and be continuing, the Company shall be permitted to (i) possess, use and enjoy the Mortgaged Property (except, to the extent not herein otherwise provided, such cash and securities as are expressly required to be deposited with the Trustee); (ii) receive and use all tolls, rents, revenues, earnings, interest, dividends, royalties, issues, income and profits thereof; (iii) purchase, generate, transmit, distribute, store, sell and otherwise deal with and use electricity, gas, water, electric and gas appliances and other products; (iv) use and consume stock in trade, materials and supplies; (v) deal with choses in action (other than pledged securities), leases and contracts and exercise, release or amend the rights and powers conferred upon it thereby; and (vi) alter, repair, maintain, replace, reconstruct, relocate, remove and operate any of its buildings, plants, stations, structures, transmission lines, distribution lines, pipe lines, conduits, mains, machinery, equipment, tools, fixtures, dams, reservoirs and other real property and tangible personal property, except that none of such real property or tangible personal property may be relocated or removed so as to impair the lien of the Mortgage thereon unless such property is sold, abandoned or otherwise disposed of as permitted by this Section or by Section 1602 or released by the Trustee.

(b) Unless an Event of Default shall have occurred and be continuing, upon application by the Company and receipt of an Officers' Certificate dated the date of said application, stating that, to the knowledge of the signers, no Event of Default has occurred and is continuing, the Trustee shall execute and deliver to the Company appropriate instruments releasing, to the extent not heretofore released and to the extent hereinbelow provided, the interest, if any, of the Trustee in all right, title and interest of the Company then owned or thereafter acquired in and to the property described in the definition of the term "Excepted Property" set forth in the granting clauses of this Mortgage.

SECTION 1602. DISPOSITIONS WITHOUT RELEASE.

Unless an Event of Default shall have occurred and be continuing, the Company may at any time and from time to time, without any release or consent by, or report to, the Trustee:

(a) Sell or otherwise dispose of, free from the Lien of this Mortgage, any machinery, equipment, apparatus, towers, transformers, poles, lines, cables, conduits, ducts, conductors, meters, regulators, holders, tanks, retorts, purifiers, odorizers, scrubbers, compressors, valves, pumps, mains, pipes, service pipes, fittings, connections, services, tools, implements, or any other fixtures or personality, then subject to the Lien hereof, which shall have become old, inadequate, obsolete, worn out, unfit, unadapted, unserviceable, undesirable or unnecessary for use in the operations of the Company upon replacing the same by, or substituting for the same, similar

or analogous property, or other property performing a similar or analogous function or otherwise obviating the need therefor, having a Fair Value to the Company at least equal to that of the property sold or otherwise disposed of and subject to the Lien hereof, subject to no Liens prior hereto except Permitted Liens and any other Liens to which the property sold or otherwise disposed of was subject;

(b) Cancel or make changes or alterations in or substitutions for any and all easements, servitudes, rights-of-way and similar rights and/or interests;

(c) Grant, free from the Lien of this Mortgage, easements, ground leases or rights-of-way in, upon, over and/or across the property or rights-of-way of the Company for the purpose of roads, pipe lines, transmission lines, distribution lines, communication lines, railways, removal or transportation of coal, lignite, gas, oil or other minerals or timber, and other like purposes, or for the joint or common use of real property, rights-of-way, facilities and/or equipment; provided, however, that such grant shall not materially impair the use of the property or rights-of-way for the purposes for which such property or rights-of-way are held by the Company;

(d) Abandon any property, if in the opinion of the Company (i) the abandonment of such property is desirable in the proper conduct of the business and in the operation of the properties of the Company or is otherwise in the best interests of the Company, and (ii) the value and utility generally of all its properties as an entirety and the security for the bonds will not thereby be impaired;

(e) Sell, surrender, release, abandon or otherwise dispose of, either with or without consideration (provided any consideration received by the Company shall, subject to the provisions of Section 1603, be paid over to the Trustee to be held by it as part of the Mortgaged Property), any easements, rights-of-way, leases, licenses, authority or permits over private property for towers, poles, wires, cables, conduits, pipe lines or mains, or for transmission line or distribution line purposes, if such towers, poles, wires, cables, conduits, pipe lines or mains, or such transmission or distribution lines, have theretofore been sold by the Company or removed by the Company to other property or taken by any municipality or other governmental subdivision by the exercise of a power of eminent domain or similar right or power, and if in the opinion of the Company the value and utility generally of all its properties as an entirety and the security for the bonds will not thereby be impaired; and

(f) Grant, free from the lien of this Mortgage, either with or without consideration (provided any consideration received by the Company shall, subject to the provisions of Section 1603, be paid over to the Trustee to be held by it as part of the Mortgaged Property), easements, rights-of-way, leases, licenses, authority or permits, for fixed periods of time or in perpetuity, over or with respect to any of the real property constituting part of the Mortgaged Property, if in the opinion of the Company (i) the granting of such easements, rights-of-way, leases, licenses, authority or permits does not substantially impair the continued use and enjoyment by the Company of the real property over or in respect of which such easements, rights-of-way, leases, licenses, authority or permits are granted for the purpose for which such property is used by the Company, and (ii) the value and utility generally of all its properties as an entirety and the security for the bonds will not thereby be impaired.

SECTION 1603. RELEASE OF MORTGAGED PROPERTY.

Unless an Event of Default shall have occurred and be continuing, the Company may obtain the release of any part of the Mortgaged Property, or any interest therein, other than cash held by the Trustee, and the Trustee shall release all its right, title and interest in and to the same from the Lien hereof, upon receipt by the Trustee of:

(a) A Company Order requesting the release of such property and transmitting therewith a form of instrument or instruments to effect such release;

(b) An Officers' Certificate stating that, to the knowledge of the signers, no Event of Default has occurred and is continuing;

(c) An Experts' Certificate made and dated not more than 90 days prior to the first day of the month in which such Company Order is delivered to the Trustee:

(i) Describing the property to be released;

(ii) Stating the Fair Value, in the judgment of the signers, of the property to be released;

(iii) Stating the Cost of the property to be released (or, if the Fair Value to the Company of such property at the time such property was first included in an Experts' Certificate was less than the Cost thereof, then such Fair Value, in lieu of Cost);

(iv) Stating that, in the judgment of the signers, such release will not impair the security under this Mortgage in contravention of the provisions hereof;

(v) Stating the aggregate principal amount of Securities and the aggregate principal amount of Secured Debt Outstanding on the date of such Experts' Certificate; and

(vi) Stating that, after giving effect to the transactions contemplated thereby, including payment, from the proceeds thereof, of any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released, the Company would be permitted by the provisions of Section 401(a) to have authenticated and delivered at least \$1.00 of additional Securities;

(d) The amount in cash, if any, then required to be deposited with the Trustee in order to permit the Company to meet the requirement of clause (c)(vi) above; and

(e) An Opinion of Counsel to the effect that the certificates and other instruments and cash, if any, which have been or are therewith delivered to or deposited and pledged with the Trustee conform to the requirements of this Mortgage, and that, upon the basis of the Company Order, the property to be released may be lawfully released from the lien of this Mortgage and that all conditions precedent herein provided for relating to such release have been complied with.

If (a) any property to be released from the Lien of this Mortgage under any provision of this Article (other than Section 1607) is subject to a Lien prior to the Lien hereof and is to be sold, exchanged, dedicated or otherwise disposed of subject to such Prior Lien and (b) after such release, such Prior Lien will not be a Lien on any property subject to the Lien hereof, then the Fair Value of such property to be released shall be deemed, for all purposes of this Mortgage, to be the value thereof unencumbered by such Prior Lien less the principal amount of the indebtedness secured by such Prior Lien.

Any cash deposited with the Trustee pursuant to the provisions of this Section 1603 shall be held as part of the Mortgaged Property and shall be withdrawn, released, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 1606.

The right of the Company, under the provisions of Section 1302(b) permitting the release of certain property without the consent of the Holders, shall be separate and apart from, and in addition to, the rights of the Company under this Section and Section 1605.

SECTION 1604. PRESERVATION OF LIEN.

The Company shall maintain and preserve the Lien of this Mortgage so long as any Securities shall remain Outstanding, subject, however, to the provisions of Article Thirteen and Article Sixteen.

SECTION 1605. RELEASE OF MINOR PROPERTIES.

Notwithstanding the provisions of Section 1603, unless an Event of Default shall have occurred and be continuing, the Company may obtain the release from the Lien hereof of any part of the Mortgaged Property, or any interest therein, and the Trustee shall whenever from time to time requested by the Company in a Company Order transmitting therewith a form of instrument or instruments to effect such release, and without requiring compliance with any of the provisions of Section 1603, release from the Lien hereof all the right, title and interest of the Trustee in and to the same provided that the lesser of the aggregate Cost or the aggregate Fair Value of the property to be so released on any date in a given calendar year, together with all other property theretofore released pursuant to this Section 1605 in such calendar year, shall not exceed the greater of (A) \$10,000,000 and (B) 3% of the sum of the aggregate principal amount of all (i) Securities and (ii) Secured Debt then Outstanding. Prior to the granting of any such release, there shall be delivered to the Trustee (x) an Officers' Certificate stating that, to the knowledge of the signers, no Event of Default has occurred and is continuing and (y) an Experts' Certificate stating, in the judgment of the signers, the Fair Value of the property to be released, the aggregate Fair Value of all other property theretofore released pursuant to this Section in such calendar year, and that, in the judgment of the signers, the release thereof will not impair the security under this Mortgage in contravention of the provisions hereof.

SECTION 1606. WITHDRAWAL OR OTHER APPLICATION OF CASH.

Except as hereafter in this Section provided, unless an Event of Default shall have occurred and be continuing, any Available Cash held by the Trustee, and any other cash which is required to be withdrawn, used or applied as provided in this Section,

(a) May be withdrawn from time to time by the Company upon receipt by the Trustee of: (i) a Company Order requesting the withdrawal, use or application of such cash and transmitting appropriate instructions, (ii) an Officers' Certificate stating that, to the knowledge of the signer, no Event of Default has occurred or is continuing; (iii) an Experts' Certificate made and dated not more than 90 days prior to the first day of the month in which such Company Order is delivered to the Trustee stating the aggregate principal amount of Securities and the aggregate principal amount of Secured Debt, in each case Outstanding on the date of such Experts' Certificate, and stating that, after giving effect to the transactions contemplated thereby, (A) the Company would be permitted by the provisions of Section 401(a) to have authenticated and delivered at least \$1.00 of additional Securities or, (B) if Company cannot meet this requirement, stating the lesser amount of such cash which could be so withdrawn, used or applied by the Company and still enable the Company to meet the requirements of subsection (A) of this clause (a) of Section 1606, which lesser amount may be so withdrawn; and (iv) an Opinion of Counsel to the effect that the certificates and other instruments which have been or are therewith delivered to the Trustee conform to the requirements of this Mortgage, and that all conditions precedent herein provided for relating to such withdrawal have been complied with.

(b) May, upon the request of the Company, be used by the Trustee for the purchase of Securities in the manner, at the time or times, in the amount or amounts, at the price or prices and otherwise as directed or approved by the Company, all subject to the limitations hereafter in this Section set forth; or

(c) May, upon the request of the Company, be applied by the Trustee to the payment (or provision therefor pursuant to Article Eight) at Stated Maturity of any Securities or to the redemption (or similar provision therefor) of any Securities which are, by their terms, redeemable, in each case of such series as may be designated by the Company, any such redemption to be in the manner and as provided in Article Five, all subject to the limitations hereafter in this Section set forth.

Notwithstanding the generality of clauses (b) and (c) above, no cash to be applied pursuant to such clauses shall be applied to the payment of an amount in excess of the principal amount of any Securities to be purchased, paid or redeemed except to the extent that the aggregate principal amount of all Securities theretofore, and of all Securities then to be, purchased, paid or redeemed pursuant to such clauses is not less than the aggregate cost for principal of, premium, if any, and accrued interest, if any, on and brokerage commissions, if any, with respect to, such Securities.

SECTION 1607. RELEASE OF PROPERTY TAKEN BY EMINENT DOMAIN, ETC.

Should any of the Mortgaged Property, or any interest therein, be taken by exercise of the power of eminent domain or be sold to an entity possessing the power of eminent domain under a threat to exercise the same, and should the Company elect not to obtain the release of such property pursuant to other provisions of this Article, the Trustee shall, upon request of the Company evidenced by a Company Order transmitting therewith a form of instrument or instruments to effect such release, release from the Lien hereof all its right, title and interest in and to the property so taken or sold (or with respect to an interest in property, subordinate the Lien hereof to such interest), upon receiving (a) an Opinion of Counsel to the effect that such property has been taken by exercise of the power of eminent domain or has been sold to an entity possessing the power of eminent domain under threat of an exercise of such power, (b) an Officers' Certificate stating the amount of net proceeds received or to be received for such property so taken or sold, and the amount so stated shall be deemed to be the Fair Value of such property for the purpose of any notice to the Holders of Securities, (c) an Experts' Certificate stating the Cost thereof (or, if the Fair Value to the Company of such portion of such property at the time the same was first included in an Experts' Certificate was less than the Cost thereof, then such Fair Value, as so certified, in lieu of Cost) and (d) a deposit by the Company of an amount in cash equal to the Cost or Fair Value stated in the Experts' Certificate delivered pursuant to clause (c) above; provided, however, that the amount required to be so deposited shall not exceed the portion of the net proceeds received or to be received for such property so taken or sold which is allocable on a pro-rata or other reasonable basis to such property; and provided, further, that no such deposit shall be required to be made hereunder if the proceeds of such taking or sale shall, as indicated in an Officers' Certificate delivered to the Trustee, have been deposited with the trustee or other holder of a Prior Lien. Any cash deposited with the Trustee under this Section may, contemporaneously or thereafter, be withdrawn, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 1606.

SECTION 1608. SECURED DEBT.

(a) The Company will cause all Secured Debt to be paid in accordance with its terms at or before the maturity thereof, and will duly and punctually perform all the conditions imposed upon it by any Prior Lien, and will not permit any default under any Prior Lien to occur or continue for the period of grace specified therein.

(b) Upon the cancellation and discharge of any Prior Lien, or upon the release in any other way of Secured Debt deposited with the trustee or other holder of any other Prior Lien, the Company will (subject to the requirements of any mortgage or other lien securing such Secured Debt) cause any Secured Debt held by the trustee or other holder of the Prior Lien so cancelled or discharged or any Secured Debt so released in any other way to be cancelled, provided that such Secured Debt may be deposited with the trustee or other holder of some other Prior Lien (upon the same property as that mortgaged or pledged to secure the Secured Debt so deposited) if required by the terms thereof.

The principal of and interest on any such Secured Debt held by the Trustee shall be paid to the Trustee as and when the same become payable. The interest received by the Trustee on any such obligations shall be deemed not to constitute cash and shall be remitted to the Company; provided, however, that if an Event of Default shall have occurred and be continuing, such proceeds shall be held as part of the Mortgaged Property until such Event of Default shall have been cured or waived.

If any Secured Debt shall be deposited with the Trustee, the Trustee shall have and may exercise all the rights and powers of any owner of such Secured Debt and of all substitutions therefor and, without limiting the generality of the foregoing, may collect and receive all insurance moneys payable to it under any of the provisions thereof and apply the same in accordance with the provisions thereof, may consent to extensions thereof at a higher or lower rate of interest, may join in any plan or plans of voluntary or involuntary reorganization or readjustment or rearrangement and may accept and hold hereunder new obligations, stocks or other securities issued in exchange therefor under any such plan. Any discretionary action which the Trustee may be entitled to take in connection with any such obligations or substitutions therefor shall be taken, so long as no Event of Default shall have occurred and be continuing, in accordance with a Company Order, and, during the continuance of an Event of Default, in its own discretion.

Anything herein to the contrary notwithstanding, the Company may irrevocably waive all rights with respect to any Secured Debt held by the Trustee, and the proceeds of any such obligations, by delivery to the Trustee of a Company Order:

(x) Specifying such obligations and stating that the Company thereby waives all rights to the proceeds thereof pursuant to this Section, and any other rights with respect thereto; and

(y) Directing that the principal of such obligations be applied as provided in clause (c) in the first paragraph of Section 1606, specifying the Securities to be paid or redeemed or for the payment or redemption of which payment is to be made.

Following any such waiver, the interest on any such obligations shall be applied to the payment of interest, if any, on the Securities to be paid or redeemed or for the payment or redemption of which provision is to be made, as specified in the aforesaid Company Order, as and when such interest shall become due from time to time, and any excess funds remaining from time to time after such application shall be applied to the payment of interest on any other Securities as and when the same shall become due. Pending any such application, the interest on such obligations shall be invested in Investment Securities as shall be selected by the Company and specified in written instructions delivered to the Trustee. The principal of any such obligations shall be applied solely to the payment of principal of the Securities to be paid or redeemed or for the payment or redemption of which provision is to be made, as specified in the aforesaid Company Order. Pending such application, the principal of such obligations shall be invested in Eligible Obligations as shall be selected by the Company and specified in written instructions delivered to the Trustee. The obligation of the Company to pay the principal of such Securities when the same shall become due at maturity, shall be offset and reduced by the amount of the proceeds of such obligations then held, and to be applied, by the Trustee in accordance with this paragraph.

SECTION 1609. DISCLAIMER OR QUITCLAIM.

In case the Company has sold, exchanged, dedicated or otherwise disposed of, or has agreed or intends to sell, exchange, dedicate or otherwise dispose of, or a Governmental Authority has ordered the Company to divest itself of, any Excepted Property or any other property not subject to the Lien hereof, or the Company desires to disclaim or quitclaim title to property to which the Company does not purport to have title, the Trustee shall, from time to time, disclaim or quitclaim such property upon receipt by the Trustee of the following:

- (a) A Company Order requesting such disclaimer or quitclaim and transmitting therewith a form of instrument to effect such disclaimer or quitclaim;
- (b) An Officers' Certificate describing the property to be disclaimed or quitclaimed; and
- (c) An Opinion of Counsel stating the signer's opinion that such property is not subject to the Lien hereof or required to be subject thereto by any of the provisions hereof and complying with the requirements of Section 103 of this Mortgage.

SECTION 1610. MISCELLANEOUS.

(a) The Experts' Certificate as to the Fair Value of property to be released from the Lien of this Mortgage in accordance with any provision of this Article, and as to the nonimpairment, by reason of such release, of the security under this Mortgage in contravention of the provisions hereof, shall be made by an Independent Expert if the Fair Value of such property and of all other property released since the commencement of the then current calendar year, as set forth in the certificates required by this Mortgage, is 10% or more of the aggregate principal amount of all Securities then Outstanding; but such Experts' Certificate shall not be required to be made by an Independent Expert in the case of any release of property if the Fair Value thereof, as set forth in the certificates required by this Mortgage, is less than \$25,000 or less than 1% of the aggregate principal amount of all Securities then Outstanding. To the extent that the Fair Value of any property to be released from the Lien of this Mortgage shall be stated in an Independent Experts' Certificate, such Fair Value shall not be required to be stated in any other Experts' Certificate delivered in connection with such release.

(b) No release of property from the Lien of this Mortgage effected in accordance with the provisions, and in compliance with the conditions, set forth in this Article and in Sections 103 and 104 shall be deemed to impair the security of this Mortgage in contravention of any provision hereof.

(c) If the Mortgaged Property shall be in the possession of a receiver or trustee, lawfully appointed, the powers hereinbefore conferred upon the Company with respect to the release of any part of the Mortgaged Property or any interest therein or the withdrawal of cash may be exercised, with the approval of the Trustee, by such receiver or trustee, notwithstanding that an Event of Default may have occurred and be continuing, and any request, certificate, appointment or approval made or signed by such receiver or trustee for such purposes shall be as effective as if made by the Company or any of its officers or appointees in the manner herein provided; and if the Trustee shall be in possession of the Mortgaged Property under any provision of this Mortgage,

then such powers may be exercised by the Trustee in its discretion notwithstanding that an Event of Default may have occurred and be continuing (but the Trustee shall not be obligated to exercise such powers unless otherwise expressly provided herein).

(d) If the Company shall retain any interest in any property released from the Lien of this Mortgage as provided in Section 1603 or 1605, this Mortgage shall not become or be, or be required to become or be, a Lien upon such property or such interest therein or any improvements, extensions or additions to such property or renewals, replacements or substitutions of or for such property or any part or parts thereof unless the Company shall execute and deliver to the Trustee a Mortgage supplemental hereto, in recordable form, containing a grant, conveyance, transfer and mortgage thereof. As used in this subsection, the terms “improvements”, “extensions” and “additions” shall be limited as set forth in Section 1201.

(e) Notwithstanding the occurrence and continuance of an Event of Default, the Trustee, in its discretion, may release from the Lien hereof any part of the Mortgaged Property or permit the withdrawal of cash, upon compliance with the other conditions specified in this Article in respect thereof.

(f) No purchaser or grantee of property purporting to have been released hereunder shall be bound to ascertain the authority of the Trustee to execute the instrument or instruments of release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser or grantee of any property or rights permitted by this Article to be sold, granted, exchanged, dedicated or otherwise disposed of, be under obligation to ascertain or inquire into the authority of the Company to make any such sale, grant, exchange, dedication or other disposition.

SECTION 1611. MAINTENANCE OF PROPERTIES.

The Company shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) the Mortgaged Property, considered as a whole, to be maintained and kept in good condition, repair and working order and shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) to be made such repairs, renewals, replacements, betterments and improvements thereof, as, in the judgment of the Company, may be necessary in order that the operation of the Mortgaged Property, considered as a whole, may be conducted in accordance with common industry practice; provided, however, that nothing in this Section shall prevent the Company from discontinuing, or causing the discontinuance of, the operation and maintenance of any portion of the Mortgaged Property if such discontinuance is in the judgment of the Company desirable in the conduct of its business; and provided, further, that nothing in this Section shall prevent the Company from selling, transferring or otherwise disposing of, or causing the sale, transfer or other disposition of, any portion of the Mortgaged Property in compliance with the other Articles of this Mortgage.

SECTION 1612. PAYMENT OF TAXES; DISCHARGE OF LIENS.

The Company shall pay all taxes and assessments and other governmental charges lawfully levied or assessed upon the Mortgaged Property, or upon any part thereof, or upon the interest of the Trustee in the Mortgaged Property, before the same shall become delinquent, and shall observe and conform in all material respects to all valid requirements of any Governmental Authority relative to the Mortgaged Property and all covenants, terms and conditions upon or under which any of the Mortgaged Property is held; and the Company shall not voluntarily suffer any Lien to be created upon the Mortgaged Property, or any part thereof, prior to the Lien hereof, other than (a) Permitted Liens and Prior Liens and (b) in the case of property hereafter acquired, Purchase Money Liens and any other Liens existing or placed thereon at the time of the acquisition thereof (including, but not limited to, the Lien of any Prior Lien); provided, however, that prior to (but not on or after) the Second Effective Date the Company shall not create Prior Liens or suffer Prior Liens to be created on any material portion of the Mortgaged Property; provided further, however, that nothing in this Section contained shall require the Company (i) to observe or conform to any requirement of Governmental Authority or to cause to be paid or discharged, or to make provision for, any such Lien, or to pay any such tax, assessment or governmental charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings, (ii) to pay, discharge or make provisions for any tax, assessment or other governmental charge, the validity of which shall not be so contested if adequate security for the payment of such tax, assessment or other governmental charge and for any penalties or interest which may reasonably be anticipated from failure to pay the same shall be given to the Trustee or (iii) to pay, discharge or make provisions for any Liens existing on the Mortgaged Property at the First Effective Date; and provided, further, that nothing in this Section shall prohibit the issuance or other incurrence of additional indebtedness, or the refunding of outstanding indebtedness, secured by any Lien prior to the Lien hereof which is permitted under this Section to continue to exist.

SECTION 1613. INSURANCE.

(a) The Company shall (i) keep or cause to be kept all the property subject to the Lien of this Mortgage insured against loss by fire, to the extent that property of similar character is usually so insured by companies similarly situated and operating like properties, to a reasonable amount, by reputable insurance companies, the proceeds of such insurance (except as to any particular loss less than the greater of (A) \$10,000,000 and (B) 3% of the aggregate principal amount of all Securities and Secured Debt Outstanding on the date of such particular loss and, if such insurance also covers any Excepted Property, except as to any loss of such Excepted Property) to be made payable, subject to applicable law, to the Trustee as the interest of the Trustee may appear, to the trustee of a Prior Lien, or to the trustee or other holder of any other Lien prior hereto upon property subject to the Lien hereof, if the terms thereof require such payment or (ii) in lieu of or supplementing such insurance in whole or in part, adopt some other method or plan of protection against loss by fire at least equal in protection to the method or plan of protection against loss by fire of companies similarly situated and operating properties subject to similar fire hazards or properties on which an equal primary fire insurance rate has been set by reputable insurance companies; and if the Company shall adopt such other method or plan of protection, it shall, subject to applicable law (and except as to any particular loss less than the greater of (x) \$10,000,000 and (y) 3% of the aggregate principal amount of all Securities and Secured Debt Outstanding on the date of such particular loss and, if such other method or plan of protection also covers any Excepted

Property, except as to any loss of such Excepted Property) pay to the Trustee on account of any loss covered by such method or plan an amount in cash equal to the amount of such loss less any amounts otherwise paid to the Trustee in respect of such loss or paid to the trustee under a Prior Lien or to the trustee or other holder of any other Lien prior hereto upon property subject to the Lien hereof in respect of such loss if the terms thereof require such payment. Any cash so required to be paid by the Company pursuant to any such method or plan shall for the purposes of this Mortgage be deemed to be proceeds of insurance. In case of the adoption of such other method or plan of protection, the Company shall furnish to the Trustee a certificate of an actuary or other qualified person appointed by the Company with respect to the adequacy of such method or plan.

Anything herein to the contrary notwithstanding, the Company may have fire insurance policies with (i) a deductible provision in a dollar amount per occurrence not exceeding the greater of (a) \$10,000,000 and (b) 3% of the aggregate principal amount of all Securities and Secured Debt Outstanding on the date such policy goes into effect, and/or (ii) co-insurance or self insurance provisions with a dollar amount per occurrence not exceeding 30% of the loss proceeds otherwise payable; provided, however, that the dollar amount described in clause (i) above may be exceeded to the extent such dollar amount per occurrence is below the deductible amount in effect as to fire insurance (x) on property of similar character insured by companies similarly situated and operating like property or (y) on property as to which an equal primary fire insurance rate has been set by reputable insurance companies.

(b) All moneys paid to the Trustee by the Company in accordance with this Section or received by the Trustee as proceeds of any insurance, in either case on account of a loss on or with respect to Mortgaged Property, shall, subject to the requirements of any Prior Lien or other Lien prior hereto upon property subject to the Lien hereof, be held by the Trustee and, subject as aforesaid, shall be paid by it to the Company to reimburse the Company for an equal amount expended or committed for expenditure in the rebuilding, renewal and/or replacement of or substitution for the property destroyed or damaged, upon receipt by the Trustee of:

- (i) A Company Request requesting such payment,
- (ii) An Experts' Certificate:
 - (A) Describing the property so damaged or destroyed;
 - (B) Stating the Cost of such property (or, if the Fair Value to the Company of such property was first included in an Experts' Certificate was less than the Cost thereof, then such Fair Value, as so certified, in lieu of Cost) or, if such damage or destruction shall have affected only a portion of such property, stating the allocable portion of such Cost or Fair Value;
 - (C) Stating the amounts so expended or committed for expenditure in the rebuilding, renewal, replacement of and/or substitution for such property; and
 - (D) Stating the Fair Value to the Company of such property as rebuilt or renewed or as to be rebuilt or renewed and/or of the replacement or substituted property, and if

(I) Within 6 months prior to the date of acquisition thereof by the Company, such property has been used or operated, by a person or persons other than the Company, in a business similar to that in which it has been or is to be used or operated by the Company, and

(II) The Fair Value to the Company of such property as set forth in such Experts' Certificate is not less than \$25,000 and not less than 1% of the aggregate principal amount of all Securities then Outstanding,

the Expert making the statement required by this clause (D) shall be an Independent Expert, and

(iii) an Opinion of Counsel stating that, in the opinion of the signer, the property so rebuilt or renewed or to be rebuilt or renewed, and/or the replacement property, is or will be subject to the Lien hereof.

Any such moneys not so applied within 36 months after its receipt by the Trustee, or in respect of which notice in writing of intention to apply the same to the work of rebuilding, renewal, replacement or substitution then in progress and uncompleted shall not have been given to the Trustee by the Company within such 36 months, or which the Company shall at any time notify the Trustee is not to be so applied, shall thereafter be withdrawn, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 1606; provided, however, that if the amount of such moneys shall exceed the amount stated pursuant to clause (B) in the Experts' Certificate referred to above, the amount of such excess shall not be subject to Section 1606 and shall be remitted to or upon the order of the Company upon the withdrawal, use or application of the balance of such moneys pursuant to Section 1606.

(c) Whenever under the provisions of this Section the Company is required to deliver moneys to the Trustee and at the same time shall have satisfied the conditions set forth herein for payment of moneys by the Trustee to the Company, there shall be paid to or retained by the Trustee or paid to the Company, as the case may be, only the net amount.

SECTION 1614. RECORDING, FILING, ETC.

The Company shall cause this Mortgage and all Mortgages and instruments supplemental hereto (or notices, memoranda or financing statements as may be recorded or filed to place third parties on notice thereof) to be promptly recorded and filed and re-recorded and re-filed in such manner and in such places, as may be required by law in order fully to preserve and protect the security of the Holders of the Securities and all rights of the Trustee, and shall furnish to the Trustee:

(a) Promptly after the execution and delivery of this Mortgage and of each Supplemental Mortgage, an Opinion of Counsel either stating that in the opinion of such counsel this Mortgage or such Supplemental Mortgage (or any other instrument, resolution, certificate, notice, memorandum or financing statement in connection therewith) has been properly recorded and filed, so as to make effective the Lien intended to be created hereby or thereby, and reciting the

details of such action, or stating that in the opinion of such counsel no such action is necessary to make such Lien effective. The Company shall be deemed to be in compliance with this subsection (a) if (i) the Opinion of Counsel herein required to be delivered to the Trustee shall state that this Mortgage or such Supplemental Mortgage, (or any other instrument, resolution, certificate notice, memorandum or financing statement in connection therewith) has been received for record or filing in each jurisdiction in which it is required to be recorded or filed and that, in the opinion of such counsel (if such is the case), such receipt for record or filing makes effective the Lien intended to be created by this Mortgage or such Supplemental Mortgage, and (ii) such opinion is delivered to the Trustee within such time, following the date of such Supplemental Mortgage, as shall be practicable having due regard to the number and distance of the jurisdictions in which this Mortgage or such Supplemental Mortgage (or such other instrument, resolution, certificate, notice, memorandum or financing statement in connection therewith) is required to be recorded or filed; and

(b) On or before December 1 of each year, beginning December 1, 2011, an Opinion of Counsel stating either (i) that in the opinion of such counsel such action has been taken, since the date of the most recent Opinion of Counsel furnished pursuant to this subsection (b) or the first Opinion of Counsel furnished pursuant to subsection (a) of this Section, with respect to the recording, filing, re-recording, and re-filing of this Mortgage and of each Supplemental Mortgage (or any other instrument, resolution, certificate, notice, memorandum or financing statement in connection therewith), as is necessary to maintain the effectiveness of the Lien hereof, and reciting such action, or (ii) that in the opinion of such counsel no such action is necessary to maintain the effectiveness of such Lien.

The Company shall execute and deliver such Supplemental Mortgage or Mortgages and such further instruments and do such further acts as may be necessary or proper to carry out the purposes of this Mortgage and to make subject to the Lien hereof any property hereafter acquired, made or constructed and intended to be subject to the Lien hereof, and to transfer to any new trustee or trustees or co-trustee or co-trustees, the estate, powers, instruments or funds held in trust hereunder.

SECTION 1615. EFFECTIVE TIME FOR CERTAIN PROVISIONS

All provisions hereof shall, unless otherwise specified herein, or except as may be specified in the terms and conditions of any series or Tranche of Securities (in which case such terms and conditions of any such series or Tranche of Securities shall be applicable to such series or Tranche of Securities), be of full force and effect on and after the First Effective Date, except that the provisions of (i) Sections 401(b)(v)(1), 1603(e)(i) and 1606(a) permitting the Opinion of Counsel to specify that the Mortgage may be subject to all Prior Liens, (ii) Section 801 to the extent that it applies to Securities issued on or before September 1, 2007, (iii) Section 802(b), (iv) clause (a) of Section 901 providing for a 90-day grace period with respect to the payment of interest, and (v) Section 1612 permitting the creation of Prior Liens on any material portion of the Mortgaged Property shall, in each case, be of no force and effect prior to the Second Effective Date but shall automatically become of full force and effect on and after the Second Effective Date, all in accordance with such Sections; and the provisions of Section 1612 which are specified to be in effect only prior to the Second Effective Date shall automatically cease to be of any further force or effect on and after the Second Effective Date.

* * * * *

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

(The Testimonium clause, Signatures, Acknowledgments, Schedules, Endorsement and Affidavit to the original First Mortgage Indenture have been omitted herein, but remain applicable hereto.)

PUBLIC SERVICE COMPANY
OF NEW HAMPSHIRE
AND
U.S. BANK NATIONAL ASSOCIATION,

Successor to WACHOVIA BANK, NATIONAL ASSOCIATION

and to FIRST UNION NATIONAL BANK

Formerly Known as FIRST FIDELITY BANK, NATIONAL ASSOCIATION,
NEW JERSEY

Successor to BANK OF NEW ENGLAND, NATIONAL ASSOCIATION
(Formerly Known as NEW ENGLAND MERCHANTS NATIONAL BANK)
and to
NEW BANK OF NEW ENGLAND, NATIONAL ASSOCIATION, TRUSTEE

TWENTIETH SUPPLEMENTAL INDENTURE

Dated as of _____ 1, 201__

TO ISSUE SERIES S
FIRST MORTGAGE BONDS

\$_____ First Mortgage Bonds, Series S, due 20____

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THIS TWENTIETH SUPPLEMENTAL INDENTURE dated as of _____ 1, 201___, between PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE (with its successors and assigns, the “Company”), a corporation duly organized and existing under the laws of the State of New Hampshire, having its principal place of business at Energy Park, 780 North Commercial Street in Manchester, New Hampshire 03101, and U.S. BANK NATIONAL ASSOCIATION (as successor to Wachovia Bank, National Association, and by merger to First Union National Bank, formerly known as First Fidelity Bank, National Association, New Jersey, successor in trust to Bank of New England, National Association (formerly known as New England Merchants National Bank) and to New Bank of New England, National Association), said U.S. BANK NATIONAL ASSOCIATION being a national banking association duly organized and existing under the laws of the United States of America having a corporate trust office at 21 South Street, Third Floor, Morristown, New Jersey 07960 and duly authorized to execute the trusts hereof (with its successors in trust, the “Trustee”), as trustee under the General and Refunding Mortgage Indenture, dated August 15, 1978 (as heretofore amended, including as amended and restated on June 1, 2011, being hereinafter generally called the “Mortgage Indenture” and, together with each and every prior indenture supplemental thereto and each and every other instrument, including this Twentieth Supplemental Indenture, supplemental to the Mortgage Indenture, as the “Indenture”).

WHEREAS, the Company has previously executed and delivered to the Trustee nineteen supplemental indentures which are part of the Indenture for the purposes recited therein and for the purpose of issuing bonds under the Indenture, the currently outstanding series of which are set forth in the following table:

<u>Supplemental Indenture No.</u>	<u>Dated as of</u>	<u>Series</u>	<u>Series Designation</u>	<u>Principal Amount Authorized</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding</u>
Twelfth	December 1, 2001	Series I	First Mortgage Bonds (Series I due 2021)*	\$89,250,000	\$89,250,000	\$89,250,000
Twelfth	December 1, 2001	Series J	First Mortgage Bonds (Series J due 2021)*	\$89,250,000	\$89,250,000	\$89,250,000
Twelfth	December 1, 2001	Series K	5.45% First Mortgage Bonds (Series K due 2021)	\$108,985,000	\$108,985,000	\$108,985,000
Thirteenth	July 1, 2004	Series L	5.25% First Mortgage Bonds (Series L, due 2014)	\$50,000,000	\$50,000,000	\$50,000,000
Fourteenth	October 1, 2005	Series M	5.60% First Mortgage Bonds (Series M, due 2035)	\$50,000,000	\$50,000,000	\$50,000,000
Fifteenth	September 1, 2007	Series N	6.15% First Mortgage Bonds (Series N, due 2017)	\$70,000,000	\$70,000,000	\$70,000,000

Supplemental Indenture No.	Dated as of	Series	Series Designation	Principal Amount Authorized	Principal Amount Issued	Principal Amount Outstanding
Sixteenth	May 1, 2008	Series O	6.00% First Mortgage Bonds (Series O, due 2018)	\$110,000,000	\$110,000,000	\$110,000,000
Seventeenth	December 1, 2009	Series P	4.50% First Mortgage Bonds (Series P, due 2019)	\$150,000,000	\$150,000,000	\$150,000,000
Eighteenth	May 1, 2011	Series Q	4.05% First Mortgage Bonds (Series Q, due 2021)	\$122,000,000	\$122,000,000	\$122,000,000
Nineteenth	September 1, 2011	Series R	3.20% First Mortgage Bonds (Series R, due 2021)	\$160,000,000	\$160,000,000	\$160,000,000
Total Outstanding Principal Amount:						\$999,485,000

* These First Mortgage Bonds contain provisions for changes in the interest rate.

WHEREAS, the execution and delivery of this Twentieth Supplemental Indenture and the issue of not exceeding initially \$_____ in aggregate principal amount of the Company's First Mortgage Bonds, Series S (hereinafter generally referred to as the "Series S Bonds" or the "bonds of Series S"), and other necessary actions have been duly authorized by the Board of Directors of the Company;

WHEREAS, the Company proposes to execute and deliver this Twentieth Supplemental Indenture (i) to provide for the issue of the bonds of Series S and confirm the lien of the Indenture on the property referred to below, all as permitted by Section 1301 of the Mortgage Indenture and (ii) to provide for the future amendment and restatement of the Mortgage Indenture as provided in Section 1.08 hereof;

WHEREAS, the Company has purchased, constructed or otherwise acquired certain additional property not heretofore specifically described in the Indenture but which is and is intended to be subject to the lien thereof, and proposes specifically to subject such additional property to the lien of the Indenture at this time;

WHEREAS, all acts and things necessary to make the initial issue of the Series S Bonds, when executed by the Company and authenticated by the Trustee and delivered as in the Mortgage Indenture provided, the legal, valid and binding obligations of the Company according to their terms and to make this Twentieth Supplemental Indenture a legal, valid and binding instrument for the security of the bonds, in accordance with its and their terms, have been done and performed, and the execution and delivery of this Twentieth Supplemental Indenture has in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises, and of the acceptance of said Series S Bonds by the holder thereof, and of the sum of \$1.00 duly paid by the Trustee to the Company, and of other good and valuable considerations, the receipt whereof is hereby acknowledged, and in confirmation of and supplementing the Mortgage Indenture as previously supplemented, amended and restated by said nineteen preceding supplemental indentures, and in performance of and compliance with the provisions thereof, said Public Service Company of New Hampshire, by these presents, does give, grant, bargain, sell, transfer, assign, pledge, mortgage and convey unto U.S. Bank National Association, as Trustee, as provided in the Mortgage Indenture, as previously supplemented, amended and restated and as supplemented by this Twentieth Supplemental Indenture, and its successor or successors in the trust thereby and hereby created, and its and their assigns, (a) all and singular the property, and rights and interests in property, described in the Mortgage Indenture and the nineteen preceding supplemental indentures and thereby conveyed, pledged, assigned, transferred and mortgaged, or intended so to be (said descriptions in said Mortgage Indenture being hereby made a part hereof to the same extent as if set forth herein at length), whether then or now owned or thereafter or hereafter acquired, except such of said properties or interests therein as may have been released or sold or disposed of in whole or in part as permitted by the provisions of the Mortgage Indenture, and (b) also, but without in any way limiting the generality of the foregoing, all the right, title and interest of the Company, now owned or hereafter acquired, in and to the rights, titles, interests and properties described or referred to in Schedule B hereto attached and hereby made a part hereof as fully as if set forth herein at length, in all cases not specifically reserved, excepted and excluded; the foregoing property, and rights and interests in property, being located in the following listed municipalities in New Hampshire and unincorporated areas in Coös County, New Hampshire, as well as in various municipalities in the States of Maine, Vermont and elsewhere:

BELKNAP COUNTY — Alton, Barnstead, Belmont, Center Harbor, Gilford, Gilmanon, Laconia, Meredith, New Hampton, Sanbornton, Tilton;

CARROLL COUNTY — Albany, Brookfield, Chatham, Conway, Eaton, Effingham, Freedom, Madison, Moultonboro, Ossipee, Sandwich, Tamworth, Tuftonboro, Wakefield, Wolfeboro;

CHESHIRE COUNTY — Alstead, Chesterfield, Dublin, Fitzwilliam, Gilsum, Harrisville, Hinsdale, Jaffrey, Keene, Marlborough, Marlow, Nelson, Richmond, Rindge, Roxbury, Stoddard, Sullivan, Surry, Swanzey, Troy, Westmoreland, Winchester;

COÖS COUNTY — Bean's Grant, Berlin, Cambridge, Carroll, Chandler's Purchase, Clarksville, Colebrook, Columbia, Crawford's Purchase, Dalton, Dummer, Errol, Gorham, Green's Grant, Jefferson, Lancaster, Martin's Location, Milan, Millsfield, Northumberland, Pinkham's Grant, Pittsburg, Randolph, Shelburne, Stark, Stewartstown, Stratford, Success, Thompson & Meserve's Purchase, Wentworth's Location, Whitefield;

GRAFTON COUNTY — Alexandria, Ashland, Bath, Bethlehem, Bridgewater, Bristol, Campton, Easton, Enfield, Franconia, Grafton, Hanover, Haverhill, Hebron, Holderness, Landaff, Lincoln, Lisbon, Littleton, Lyman, Lyme, Orange, Orford, Piermont, Plymouth, Rumney, Sugar Hill, Thornton, Woodstock;

HILLSBOROUGH COUNTY — Amherst, Antrim, Bedford, Bennington, Brookline, Deering, Frankestown, Goffstown, Greenfield, Greenville, Hancock, Hillsborough, Hollis, Hudson, Litchfield, Lyndeborough, Manchester, Mason, Merrimack, Milford, Mont Vernon, Nashua, New Boston, New Ipswich, Pelham, Peterborough, Sharon, Temple, Weare, Wilton, Windsor;

MERRIMACK COUNTY — Allenstown, Andover, Boscawen, Bow, Bradford, Canterbury, Chichester, Concord, Danbury, Dunbarton, Epsom, Franklin, Henniker, Hill, Hooksett, Hopkinton, Loudon, Newbury, New London, Northfield, Pembroke, Pittsfield, Salisbury, Sutton, Warner, Webster, Wilmot;

ROCKINGHAM COUNTY — Auburn, Atkinson, Brentwood, Candia, Chester, Danville, Deerfield, Derry, East Kingston, Epping, Exeter, Fremont, Greenland, Hampstead, Hampton, Hampton Falls, Kensington, Kingston, Londonderry, New Castle, Newfields, Newington, Newmarket, Newton, North Hampton, Northwood, Nottingham, Portsmouth, Raymond, Rye, Sandown, Seabrook, South Hampton, Stratham, Windham;

STRAFFORD COUNTY — Barrington, Dover, Durham, Farmington, Lee, Madbury, Middleton, Milton, New Durham, Rochester, Rollinsford, Somersworth, Strafford;

SULLIVAN COUNTY — Charlestown, Claremont, Cornish, Croydon, Goshen, Grantham, Lempster, Newport, North Charleston, Plainfield, Springfield, Sunapee, Unity, Washington;

SUBJECT, HOWEVER, as to all of the foregoing, to the specific rights, privileges, liens, encumbrances, restrictions, conditions, limitations, covenants, interests, reservations, exceptions and otherwise as provided in the Mortgage Indenture, and in the descriptions in the schedules thereto and hereto and in the deeds or grants in said schedules referred to;

BUT SPECIFICALLY RESERVING, EXCEPTING AND EXCLUDING (as the same are reserved, excepted and excluded from the lien of the Mortgage Indenture) from this instrument and the grant, conveyance, mortgage, transfer and assignment herein contained, all right, title and interest of the Company, now owned or hereafter acquired, in and to the properties and rights specified in subclauses (a) to (m), both inclusive, of the paragraph beginning “BUT SPECIFICALLY RESERVING, EXCEPTING AND EXCLUDING...” which paragraph is part of the granting clauses of the Mortgage Indenture;

TO HAVE AND TO HOLD all said plant, premises, property, franchises and rights hereby conveyed, assigned, pledged or mortgaged, or intended so to be, unto the Trustee, its successor or successors in trust, and to its and their assigns forever;

BUT IN TRUST, NEVERTHELESS, with power of sale, for the equal pro rata benefit, security and protection of the owners of the bonds without any preference, priority or distinction whatever of any one bond over any other bond by reason of priority in the issue, sale or negotiation thereof, or otherwise;

PROVIDED, HOWEVER, and these presents are upon the condition, that if the Company shall pay or cause to be paid or make appropriate provision for the payment unto the holders of the bonds of the principal, premium, if any, and interest to become due thereon at the times and in the manner stipulated therein, and shall keep, perform and observe all and singular the covenants, agreements and provisions in the Indenture expressed to be kept, performed and observed by or on the part of the Company, then the Indenture and the estate and rights thereby and hereby granted shall, pursuant and subject to the provisions of Article 8 of the Mortgage Indenture, cease, determine and be void, but otherwise shall be and remain in full force and effect.

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED, upon the trusts and for the purposes aforesaid, as set forth in the following covenants, agreements, conditions and provisions, viz.:

ARTICLE 1 SERIES S BONDS

SECTION 1.01. Designation; Amount. The bonds of Series S shall be designated “First Mortgage Bonds, Series S, due 2021” and shall initially be authenticated in the aggregate principal amount of _____ Million Dollars (\$____,000,000). The initial issue of the bonds of Series S may be effected upon compliance with the applicable provisions of the Mortgage Indenture. Additional bonds of Series S, without limitation as to amount, having the same terms and conditions as the bonds of Series S (except for the date of original issuance, the initial interest payment date and the offering price) may also be issued by the Company without the consent of the holders of the bonds of Series S, pursuant to a separate supplemental indenture related thereto. Such additional bonds of Series S shall be part of the same series as the bonds of Series S. The Trustee shall authenticate and deliver such additional bonds of Series S at any time upon application by the Company and compliance with the applicable provisions of the Indenture .

SECTION 1.02. Form of Series S Bonds; Global Security; Depository for Global Securities. The Series S Bonds shall be issued only in fully registered form without coupons in denominations of One Thousand Dollars (\$1,000.00) and multiples thereof.

The Series S Bonds shall be initially represented by one or more global securities (the “Global Securities”). Each Global Security will be deposited with, or on behalf of, The Depository Trust Company, as depository (“DTC”), and registered in the name of Cede & Co., a nominee of DTC.

The Series S Bonds shall be in substantially the form set forth in Schedule A attached hereto. The terms of the Series S Bonds contained in such form are hereby incorporated herein by reference as though fully set forth in this place and are made a part of this Twentieth Supplemental Indenture.

SECTION 1.03. Provisions of Series S Bonds; Interest Accrual. The Series S Bonds shall mature on _____ 1, 20__ and shall bear interest at the rate of ____% per year,

payable semiannually in arrears on _____ 1 and _____ 1 of each year (each, an “Interest Payment Date”) (with the first Interest Payment Date to be _____ 1, 201__), with the final Interest Payment Date being _____ 1, 20__ until the Company’s obligation in respect of the principal thereof shall be discharged, and at the rate of ____% per annum on any overdue principal and premium and on any overdue installment of interest. The Series S Bonds shall be dated the date of authentication thereof by the Trustee and shall bear interest on the principal amount from, and including, the date of original issuance to, and excluding, the first Interest Payment Date and then from, and including, the immediately preceding Interest Payment Date to which interest has been paid or duly provided for to, but excluding, the next Interest Payment Date or the maturity date, as the case may be. Interest on the Series S Bonds will be computed on the basis of 360-day year of twelve 30-day months and, with respect to any period less than a full month, on the basis of actual number of days elapsed in such period. For example, the interest for a period running from the 15th day of one month to the 15th day of the next month would be calculated on the basis of one 30-day month.

The Series S Bonds shall be payable both as to principal and interest at the corporate trust office of the Trustee at U.S. Bank National Association in Morristown, New Jersey or the corporate trust office of its successors, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The interest on the Series S Bonds shall be payable without presentation, and only to or upon the person in whose name the Series S Bonds are registered at the close of business on the business day prior to each Interest Payment Date. The Series S Bonds shall be callable for redemption in whole or in part according to the terms and provisions provided in Section 1.05 below.

The Company has initially designated DTC as the depository for the Series S Bonds. For as long as the Series S Bonds or any portion thereof are in the form of a Global Security, and notwithstanding the previous paragraph, all payments of interest, principal and other amounts in respect of the Series S Bonds shall be made to DTC or its nominee in accordance with its applicable policies and procedures, in the coin or currency specified above. So long as the Series S Bonds are in the form of a Global Security, neither the Company nor the Trustee shall have any responsibility with respect to the policies and procedures of DTC, or any successor depository, or for any notices or other communications among DTC, its direct and indirect participants or beneficial owners of the Series S Bonds.

SECTION 1.04. Transfer and Exchange of Series S Bonds. So long as the Series S Bonds are in the form of Global Securities, the Series S Bonds may not be transferred except as a whole (1) by DTC to a nominee of DTC or (2) by a nominee of DTC to DTC or another nominee of DTC or (3) by DTC or any such nominee to a successor of DTC or a nominee of such successor. If (1) DTC is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Company within ninety days or (2) there shall have occurred and be continuing after any applicable grace periods an Event of Default under the Indenture with respect to the Series S Bonds represented by such Global Security, the Company will issue certificated Series S Bonds in definitive registered form in exchange for the Global Securities.

The Company may at any time and in its sole discretion determine not to have any Series S Bonds in registered form represented by one or more Global Securities and, in such event, will issue certificated bonds in definitive form in exchange for the Global Securities representing the Series S Bonds. In any such instance, an owner of a beneficial interest in the Global Securities will be entitled to physical delivery in definitive form of certificated bonds represented by the Global Securities equal in principal amount to such beneficial interest and to have such certificated bonds registered in its name.

In the event certificated bonds are issued in exchange for the Global Securities, the Series S Bonds may be surrendered for registration of transfer as provided in Section 305 of the Indenture at the corporate trust office of the Trustee at U.S. Bank National Association in Morristown, New Jersey or the corporate trust offices of its successors, and may be surrendered at said office for exchange for a like aggregate principal amount of Series S Bonds of other authorized denominations. No charge, except for taxes or other governmental charges, shall be made by the Company for any registration of transfer of Series S Bonds or for the exchange of any Series S Bonds for such bonds of other authorized denominations.

SECTION 1.05. Redemption of the Series S Bonds. The Series S Bonds are subject to redemption, in whole or in part, at the option of the Company at any time. If the Company elects to redeem the Series S Bonds prior to _____ 1, 20____, it will do so at a redemption price equal to the greater of (x) one hundred percent (100%) of the principal amount of the Series S Bonds being redeemed, plus accrued interest thereon to the redemption date, or (y) as determined by the Quotation Agent, the sum of the present value of the remaining scheduled payments of principal and interest on the Series S Bonds to be redeemed (not including any portion of payments of interest accrued as of the redemption date) discounted to the redemption date on a semi-annual basis at the Adjusted Treasury Rate plus _____ (____) basis points, plus accrued interest to the redemption date. If the Company elects to redeem the Series S Bonds on or after _____ 1, 20____, it will do so at a redemption price equal to one hundred percent (100%) of the principal amount of the Series S Bonds being redeemed, plus accrued interest thereon to the redemption date. The redemption price will be calculated assuming a 360-day year consisting of twelve 30-day months.

The Company shall notify the Trustee in writing, not less than forty (40) days, or such shorter period as shall be acceptable to the Trustee, of any such election to redeem. Such notice shall include the amount of Series S Bonds to be redeemed, the redemption date and the redemption price.

“Adjusted Treasury Rate” means, with respect to any redemption date, the rate per year equal to the semi-annual 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 that redemption date.

“Comparable Treasury Issue” means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Series S Bonds that would be used, 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 S Bonds.

“Comparable Treasury Price” means, with respect to any redemption date: (i) the average of the Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of the Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than four Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so received.

“Quotation Agent” means the Reference Treasury Dealer appointed by the Company.

“Reference Treasury Dealer” means a primary U.S. Government securities dealer in New York, New York selected by the Company.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by that Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding that redemption date.

Notice of any redemption will be provided at least 30 days but not more than 60 days before the redemption date to each holder of the Series S Bonds to be redeemed (which notice may be made subject to the deposit of redemption moneys with the Trustee on or before the date fixed for redemption).

Series S Bonds or portions of Series S Bonds to be redeemed become due on the redemption date (unless the redemption notice is conditioned upon the receipt of redemption moneys and such moneys shall not have been so received on or before the date fixed for redemption). Absent a default in payment of the redemption price (in the case of an unconditional notice of redemption), on and after the redemption date, interest will cease to accrue on the Series S Bonds or portions of the Series S Bonds called for redemption.

If less than all of the Series S Bonds are to be redeemed, the Trustee will select the Series S Bonds to be redeemed by a method that the Trustee deems fair and appropriate and which may provide for the selection for the redemption of portions (equal to \$1,000 or any multiple thereof) of the principal amount of the Series S Bonds larger than \$1,000. Notice of redemption will be mailed, first-class mail postage prepaid, to each holder of Series S Bonds to be redeemed at the holder’s address in the register for the Series S Bonds. If any Series S Bonds are to be redeemed in part only, the notice of redemption that relates to that Series S Bond will state the portion of the principal amount of that Series S Bond to be redeemed. In that case, the Company will issue a new Series S Bond of any authorized denomination, as requested, in an aggregate principal amount equal to the unredeemed portion of such Series S Bond, in the name of the holder upon cancellation of the original Series S Bond. The Series S Bonds are not subject to any sinking fund.

Except as provided in this Section 1.05, the Series S Bonds are not subject to redemption under any provisions of the Indenture.

SECTION 1.06. Effect of Event of Default. If an Event of Default shall have occurred and be continuing, the principal of the Series S Bonds may be declared due and payable in the manner and with the effect provided in the Indenture.

SECTION 1.07. Payment Date Not a Business Day. If any redemption date, any Interest Payment Date or the maturity date for principal, premium or interest with respect to the Series S Bonds shall be (i) a Sunday or a legal holiday, or (ii) a day on which banking institutions are authorized pursuant to law to close and on which the corporate trust offices of the Trustee in Minnesota or New Jersey are not open for business, then the payment thereof may be made on the next succeeding day not a day specified in (i) or (ii) with the same force and effect as if made on the specified payment date and no interest shall accrue for the period after the specified payment date.

SECTION 1.08. Consent to Amendment and Restatement of Mortgage Indenture. Each holder of a Series S Bond, solely by virtue of its acquisition thereof, including as an owner of a book-entry interest therein, shall have and be deemed to have consented, without the need for any further action or consent by such holder, to the amendment and restatement of the Mortgage Indenture in substantially the form set forth in Schedule C appended to the Eighteenth Supplemental Indenture dated as of May 1, 2011.

ARTICLE 2 MISCELLANEOUS PROVISIONS

SECTION 2.01. Recitals. The recitals in this Twentieth Supplemental Indenture shall be taken as recitals by the Company alone, and shall not be considered as made by or as imposing any obligation or liability upon the Trustee, nor shall the Trustee be held responsible for the legality or validity of this Twentieth Supplemental Indenture, and the Trustee makes no covenants or representations, and shall not be responsible, as to or for the effect, authorization, execution, delivery or recording of this Twentieth Supplemental Indenture, except as expressly set forth in the Mortgage Indenture. The Trustee shall not be taken impliedly to waive by this Twentieth Supplemental Indenture any right it would otherwise have.

SECTION 2.02. Benefits of Twentieth Supplemental Indenture. Nothing in this Twentieth Supplemental Indenture, expressed or implied, is intended or shall be construed to confer upon, or give to, any person, firm or corporation, other than the parties hereto and the holders of the Series S Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof; and the covenants, stipulations and agreements in the Indenture contained are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and holders of the bonds.

SECTION 2.03. Effect of Twentieth Supplemental Indenture. This Twentieth Supplemental Indenture is executed, shall be construed as and is expressly stated to be an indenture supplemental to the Mortgage Indenture and shall form a part of the Indenture; and the Mortgage Indenture, as supplemented and amended by this Twentieth Supplemental Indenture, is hereby confirmed and adopted by the Company as its obligation. All terms used in this

Twentieth Supplemental Indenture shall be taken to have the meaning specified in the Mortgage Indenture, except in cases where the context clearly indicates otherwise.

SECTION 2.04. Termination. This Twentieth Supplemental Indenture shall become void when the Indenture shall be void.

SECTION 2.05. Trust Indenture Act. If and to the extent that any provision of this Twentieth Supplemental Indenture limits, qualifies or conflicts with any of the applicable provisions of Sections 310 to 317, inclusive, of the Trust Indenture Act of 1939, as amended, such required provision shall control.

SECTION 2.06. Counterparts. This Twentieth Supplemental Indenture may be simultaneously executed in any number of counterparts, each of which shall be deemed an original; and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument, which shall for all purposes be sufficiently evidenced by any such original counterpart.

SECTION 2.07. Notices. Any notice to the Trustee under any provision of this Twentieth Supplemental Indenture shall be sufficiently given if served personally upon a responsible officer of the Trustee or mailed by registered or certified mail, postage prepaid, addressed to the Trustee at its corporate trust office, which is U.S. Bank National Association, 21 South Street, Third Floor, Morristown, New Jersey 07960 as of the date hereof. The Trustee shall notify the Company from time to time of any change in the address of its corporate trust office.

SECTION 2.08. Definitions. Except to the extent otherwise defined herein, the use of the terms and expressions herein is in accordance with the definitions, uses and construction contained in the Mortgage Indenture and the form of Series S Bond attached hereto as Schedule A.

[The remainder of this page left blank intentionally.]

IN WITNESS WHEREOF, PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE has caused this instrument to be executed and its corporate seal to be hereto affixed, by its officers, thereunto duly authorized, and U.S. BANK NATIONAL ASSOCIATION has caused this instrument to be executed by its officers thereunto duly authorized, all as of the day and year first above written but actually executed on _____, 201__.

**PUBLIC SERVICE COMPANY
OF NEW HAMPSHIRE**

By: _____
Philip J. Lembo
Vice President and Treasurer

CORPORATE SEAL

Attest:

Richard J. Morrison
Secretary

Signed, sealed and delivered by
Public Service Company of New
Hampshire in the presence of us:

Witnesses

U.S. BANK NATIONAL ASSOCIATION
as Trustee as aforesaid

By: _____

Vice President

Attest:

Name:

Title:

Signed and delivered by
U.S. Bank National Association
in the presence of us:

Witnesses

SCHEDULE A
[FORM OF FACE OF SERIES S BONDS]

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE OF A DEPOSITORY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND HEREIN, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN LIMITED CIRCUMSTANCES.

Unless this Global Security is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to Public Service Company of New Hampshire or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
FIRST MORTGAGE BOND, SERIES S
PRINCIPAL DUE _____ 1, 20__

CUSIP No. 744538 ____

No. 1 \$____,000,000

FOR VALUE RECEIVED, PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, a corporation organized and existing under the laws of the State of New Hampshire (hereinafter called the “Company”, which term includes any successor corporation under the Indenture), hereby promises to pay to Cede & Co., or registered assigns, subject to the conditions set forth herein, the principal sum of _____ Million Dollars (\$____,000,000), on _____ 1, 20__, and to pay interest on said sum semiannually in arrears, on _____ 1 and _____ 1 in each year (each, an “Interest Payment Date”) with the first Interest Payment Date being _____ 1, 201__, and the final Interest Payment Date being _____ 1, 20__, at the rate of ____% per annum, until the Company’s obligation with respect to said principal sum shall be paid or made available for payment, and at the rate of ____% per annum on any overdue principal and premium and on any overdue installment of interest.

This Series S Bond shall bear interest as aforesaid from, and including, the date of original issuance to, and excluding, the first Interest Payment Date and then from, and including, the immediately preceding Interest Payment Date to which interest has been paid or duly provided for to, but excluding, the next Interest Payment Date or the maturity date, as the case may be. The amount of interest payable will be computed on the basis of a 360-day year consisting of twelve 30-day months and, with respect to any period less than a full month, on the basis of actual number of days elapsed in such period. For example, the interest for a period running from the 15th day of one month to the 15th day of the next month would be calculated on the basis of one 30-day month.

In any case where any Interest Payment Date, the maturity date or any redemption date is not a Business Day, then payment of principal and interest, if any, or principal and premium, if any, 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), in each case with the same force and effect as if made on such date. A "Business Day" shall mean any day, except a (i) Sunday or a legal holiday, or (ii) a day on which banking institutions are authorized pursuant to law to close and on which the corporate trust offices of the Trustee in Minnesota or New Jersey are not open for business.

Payment of the principal of and any interest on this Series S Bond will be made at the corporate trust office of the Trustee at U.S. Bank National Association in Morristown, New Jersey or the corporate trust office of its successors, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The interest on this Series S Bond shall be payable without presentation, and only to or upon the person in whose name the Series S Bonds are registered at the close of business on the Business Day prior to each Interest Payment Date.

Reference is hereby made to the further provisions of this Series S Bond set forth on the reverse hereof, including without limitation provisions in regard to the redemption and the registration of transfer and exchangeability of this Series S Bond, and such further provisions shall for all purposes have the same effect as though fully set forth in this place.

As set forth in the Supplemental Indenture establishing the terms and series of the Bonds of this series, each holder of a Series S Bond, solely by virtue of its acquisition thereof, including as an owner of a book-entry interest therein, shall have and be deemed to have consented, without the need for any further action or consent by such holder, to the amendment and restatement of the Mortgage Indenture in substantially the form set forth in Schedule C appended to the Eighteenth Supplemental Indenture dated as of May 1, 2011.

This Series S Bond shall not become or be valid or obligatory until the certificate of authentication hereon shall have been signed by U.S. Bank National Association (hereinafter with its successors as defined in the Indenture (as defined on the reverse hereof), generally called the Trustee), or by such a successor.

[The remainder of this page left blank intentionally.]

IN WITNESS WHEREOF, Public Service Company of New Hampshire has caused this Series S Bond to be executed in its corporate name and on its behalf by its Vice President and Treasurer by his signature or a facsimile thereof, and its corporate seal to be affixed or imprinted hereon and attested by the manual or facsimile signature of its Assistant Secretary.

Dated as of _____, 201__

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By: _____
Philip J. Lembo
Vice President and Treasurer

Attest:

Name
Title:

[FORM OF TRUSTEE'S CERTIFICATE]

U.S. Bank National Association hereby certifies that this Series S Bond is one of the bonds described in the within mentioned Indenture.

**U.S. BANK NATIONAL ASSOCIATION,
TRUSTEE**

By: _____
Name:
Title: Authorized Signatory

[FORM OF REVERSE OF SERIES S BOND]
 PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
 First Mortgage Bond, Series S, due _____ 1, 20____

This Series S Bond is one of a series of bonds known as the “First Mortgage Bonds, Series S” of the Company, initially limited to _____ Million Dollars (\$____,000,000) in aggregate principal amount, and issued under and pursuant to a First Mortgage Indenture between the Company and U.S. Bank National Association as successor to Wachovia Bank, National Association and by merger to First Union National Bank, formerly known as First Fidelity Bank, National Association, New Jersey, successor to Bank of New England, National Association (formerly known as New England Merchants National Bank), and to New Bank of New England, National Association, as Trustee, dated as of August 15, 1978, as amended, and pursuant to which U.S. Bank National Association is now Successor Trustee (said First Mortgage Indenture as amended and restated on June 1, 2011, being hereinafter generally called the “Mortgage Indenture” and, together with each and every prior indenture supplemental thereto and each and every other instrument, including the Twentieth Supplemental Indenture, dated as of _____ 1, 20____, supplemental to the Mortgage Indenture, as the “Indenture”) and together with all bonds of all series now outstanding or hereafter issued under the Indenture being equally and ratably secured (except as any sinking or other analogous fund, established in accordance with the provisions of the Indenture, may afford additional security for the bonds of any particular series) by the Indenture, to which Indenture (executed counterparts of which are on file at the corporate trust office of the Trustee in Morristown, New Jersey) reference is hereby made for a description of the nature and extent of the security, the rights thereunder of the holders of bonds issued and to be issued thereunder, the rights, duties and immunities thereunder of the Trustee, the rights and obligations thereunder of the Company, and the terms and conditions upon which Bonds of this series, and bonds of other series, are issued and are to be issued; but neither the foregoing reference to the Indenture nor any provision of this Series S Bond or of the Indenture shall affect or impair the obligation of the Company, which is absolute, unconditional and unalterable, to pay at the maturities herein provided the principal of and interest on this Series S Bond as herein provided.

The Series S Bonds shall be initially issued in the form of one or more global securities (the “Global Securities”). Each Global Security will be deposited with, or on behalf of, DTC and registered in the name of Cede & Co., a nominee of DTC. For as long as this Series S Bond or any portion hereof is in the form of a Global Security, and notwithstanding anything else contained in this Series S Bond, all payments of interest, principal and other amounts in respect of this Series S Bond shall be made to DTC or its nominee in accordance with its applicable policies and procedures, in the coin or currency specified above.

In the event certificated bonds in definitive form are issued in exchange for the Global Securities they are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof.

The Series S Bonds, while in the form of Global Securities, may not be transferred except as a whole (1) by DTC to a nominee of DTC or (2) by a nominee of DTC to DTC or another nominee of DTC or (3) by DTC or any such nominee to a successor of DTC or a nominee of such successor. If (1) DTC is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Company within ninety days or (2) there shall have occurred and be continuing after any applicable grace periods an Event of Default under the Indenture with respect to the Series S Bonds represented by such Global Security, the Company will issue certificated bonds in definitive registered form in exchange for the Global Securities representing the Series S Bonds.

The Company may at any time and in its sole discretion determine not to have any Series S Bonds in registered form represented by one or more Global Securities and, in such event, will issue certificated bonds in definitive form in exchange for the Global Securities representing the Series S Bonds. In any such instance, an owner of a beneficial interest in the Global Securities will be entitled to physical delivery in definitive form of certificated bonds represented by the Global Securities equal in principal amount to such beneficial interest and to have such certificated bonds registered in its name.

In the event certificated bonds are issued in exchange for the Global Securities, the Series S Bonds may be surrendered for registration of transfer as provided in Section 305 of the Mortgage Indenture at the corporate trust office of the Trustee at U.S. Bank National Association in Morristown, New Jersey or the corporate trust offices of its successors, and may be surrendered at said office for exchange for a like aggregate principal amount of Series S Bonds of other authorized denominations. No charge, except for taxes or other governmental charges, shall be made by the Company for any registration of transfer of Series S Bonds or for the exchange of any Series S Bonds for such bonds of other authorized denominations.

Prior to due presentment for registration of transfer of this Bond, the Company and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof, whether or not such Series S Bond shall be overdue, for the purpose of receiving payment and for all other purposes, and neither the Company nor the Trustee shall be affected by any notice to the contrary. Neither the failure to give any notice nor any defect in any notice given to the holder of the Global Securities or Series S Bonds not represented by a Global Security, will affect the sufficiency of any notice given to any other holder.

The Series S Bonds are subject to redemption, in whole or in part, at the option of the Company at any time. If the Company elects to redeem the Series S Bonds prior to _____ 1, 20____, it will do so at a redemption price equal to the greater of (x) one hundred percent (100%) of the principal amount of the Series S Bonds being redeemed, plus accrued interest thereon to the redemption date, or (y) as determined by the Quotation Agent, the sum of the present value of the remaining scheduled payments of principal and interest on the Series S Bonds to be redeemed (not including any portion of payments of interest accrued as of the redemption date) discounted to the redemption date on a semi-annual basis at the Adjusted Treasury Rate plus _____ (____) basis points, plus accrued interest to the redemption date. If the Company elects to redeem the Series S Bonds on or after _____ 1, 20____, it will do so at a redemption price equal to one hundred percent (100%) of the principal amount of the Series S Bonds being

redeemed, plus accrued interest thereon to the redemption date. The redemption price will be calculated assuming a 360-day year consisting of twelve 30-day months.

The Company shall notify the Trustee in writing, not less than forty (40) days, or such shorter period as shall be acceptable to the Trustee, of any such election to redeem. Such notice shall include the amount of Series S Bonds to be redeemed, the redemption date and redemption price.

“Adjusted Treasury Rate” means, with respect to any redemption date, the rate per year equal to the semi-annual 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 that redemption date.

“Comparable Treasury Issue” means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Series S Bonds that would be used, 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 S Bonds.

“Comparable Treasury Price” means, with respect to any redemption date: (i) the average of the Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of the Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than four Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so received.

“Quotation Agent” means the Reference Treasury Dealer appointed by the Company.

“Reference Treasury Dealer” means a primary U.S. Government securities dealer in New York, New York selected by the Company.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by that Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding that redemption date.

Notice of any redemption will be provided at least 30 days but not more than 60 days before the redemption date to each holder of the Series S Bonds to be redeemed (which notice may be made subject to the deposit of redemption moneys with the Trustee on or before the date fixed for redemption).

Series S Bonds or portions of Series S Bonds to be redeemed become due on the redemption date (unless the redemption notice is conditioned upon the receipt of redemption moneys and such moneys shall have not been so received on or before the date fixed for redemption). Absent a default in payment of the redemption price (in the case of an

unconditional notice of redemption), on and after the redemption date, interest will cease to accrue on the Series S Bonds or portions of the Series S Bonds called for redemption.

If less than all of the Series S Bonds are to be redeemed, the Trustee will select the Series S Bonds to be redeemed by a method that the Trustee deems fair and appropriate and which may provide for the selection for the redemption of portions (equal to \$1,000 or any multiple thereof) of the principal amount of the Series S Bonds larger than \$1,000. Notice of redemption will be mailed, first-class mail postage prepaid, to each holder of Series S Bonds to be redeemed at the holder's address in the register for the Series S Bonds. If any Series S Bonds are to be redeemed in part only, the notice of redemption that relates to that Series S Bond will state the portion of the principal amount of that Series S Bond to be redeemed. In that case, the Company will issue new Series S Bonds of any authorized denomination, as requested, in an aggregate principal amount equal to the unredeemed portion of such Series S Bond, in the name of the holder upon cancellation of the original Series S Bond.

The Series S Bonds are not subject to any sinking fund.

If the Series S Bonds are called in whole or in part, and if moneys have been duly deposited or otherwise made available to the Trustee for redemption hereof, or of the part hereof so called, as required in the Indenture, this Series S Bond or such called part hereof, shall be due and payable on the date fixed for redemption and thereafter this Series S Bond, or such called part hereof, shall cease to bear interest on the date fixed for redemption and shall cease to be entitled to the lien of the Indenture, and, as respects the Company's liability hereon, this Series S Bond, or such called part hereof, shall be deemed to have been paid; but, if less than the whole principal amount hereof shall be so called, the holder hereof shall be entitled, in addition to the sums payable on account of the part called, to receive, without expense to such holder, upon surrender hereof, one or more Series S Bonds of this series for an aggregate principal amount equal to that part of the principal amount hereof not then called and paid.

If an Event of Default shall have occurred and be continuing, the principal of the Series S Bonds may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee to effect, by supplemental indenture, certain modifications of the Indenture without any consent of the holders of the bonds, and to effect certain other modifications of the Indenture, and of the rights of the holders of the bonds, with the consent of the holders of not less than a majority in aggregate principal amount of all bonds issued under the Indenture at the time outstanding, or in case one or more, but less than all, of the Series of said bonds then outstanding are affected, with the consent of the holders of not less than a majority in aggregate principal amount of said outstanding bonds of each Series affected.

No reference herein to the Indenture and no provision herein or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest, including overdue interest, on this Series S Bond at the time, place and rate, and in the coin or currency, herein prescribed.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this Series S Bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator or against any stockholder, director or officer, past, present or future, as such, of the Company or any affiliate of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company or any trustee, receiver or assignee or otherwise, under any constitution, or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors or officers, as such, being waived and released by the holder and owner hereof by the acceptance of this Series S Bond and as part of the consideration for the issuance hereof and being likewise waived and released by the terms of the Indenture.

[END OF FORM OF REVERSE OF SERIES S BOND]

SCHEDULE B

Description of Certain Properties
Acquired

Since _____ 1, 20____

[List]

ENDORSEMENT

U.S. Bank National Association, Trustee, being the mortgagee in the foregoing Supplemental Indenture, hereby consents to the cutting of any timber standing upon any of the lands covered by said Supplemental Indenture and to the sale of any such timber so cut and of any personal property covered by said Supplemental Indenture to the extent, but only to the extent, that such sale is permitted under the provisions of the Mortgage Indenture as supplemented by the Twentieth Supplemental Indenture dated as of _____ 1, 20____.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee as aforesaid

By: _____

Vice President

Signed and acknowledged
on behalf of U.S. Bank National Association
in the presence of us:

Witnesses

SERIES B LOAN AND TRUST AGREEMENT

among

BUSINESS FINANCE AUTHORITY OF
THE STATE OF NEW HAMPSHIRE

and

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

and

STATE STREET BANK AND TRUST COMPANY, as Trustee

Dated as of October 1, 2001

Providing for the Issue of:

\$89,250,000 Business Finance Authority
of the State of New Hampshire
Pollution Control Revenue Bonds
(Public Service Company of New Hampshire Project – 2001 Tax-Exempt Series B)
Auction Rate Securities Dated the Date of Delivery

ARTICLE I. INTRODUCTION AND DEFINITIONS

Section 101. Description of the Agreement and the Parties. This SERIES B LOAN AND TRUST AGREEMENT (the “Agreement”) is entered into as of October 1, 2001 by the Business Finance Authority of the State of New Hampshire (with its successors, the “Authority” and formerly The Industrial Development Authority of the State of New Hampshire), a body corporate and politic created under New Hampshire RSA 162-A:3; Public Service Company of New Hampshire (with its successors, the “Company”), a New Hampshire corporation; and State Street Bank and Trust Company, a Massachusetts trust company, as Trustee (with its successors, the “Trustee”). This Agreement is a financing document combined with a security document as one instrument in accordance with New Hampshire RSA Chapter 162-I (the “Act”) and relates to industrial facilities as defined in Paragraphs 2, VII(d) and (e) of the Act and located in the Town of Seabrook, Rockingham County, New Hampshire.

This Agreement provides for the following transactions:

- (a) the Authority’s issue of the Bonds;
- (b) the Authority’s loan of the proceeds of the Bonds to the Company to refund a portion of the outstanding balance of the Authority’s \$112,500,000 7.65% Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project – 1991 Tax-Exempt Series C) (the “1991 Series C Bonds”) which 1991 Series C Bonds were originally issued for the purpose of financing the acquisition, construction and installation of the Project Facilities;
- (c) the Company’s repayment of the loan of Bond proceeds from the Authority through payment to the Trustee of all amounts necessary to pay the Bonds issued by the Authority;
- (d) the Company’s agreement to evidence and secure its repayment obligations hereunder by the issuance of the Series J First Mortgage Bonds; and
- (e) the Authority’s assignment to the Trustee in trust for the benefit and security of the Bondowners and the Bond Insurer of the Authority’s rights in respect of the loan to the Company hereunder, including repayment of the loan to be received from the Company.

In consideration of the mutual promises contained in this Agreement, the rights conferred and the obligations assumed hereby, and other good and valuable consideration, the receipt of which is hereby acknowledged, each of the Company, the Authority and the Trustee agree, assign, covenant, grant, pledge, promise, represent and warrant as set forth herein for their own benefit and for the benefit of the Bondowners and the Bond Insurer.

Section 102. Definitions.

(a) Words. In addition to terms defined elsewhere herein, the following terms have the following meanings in this Agreement, unless the context otherwise requires:

- (i) “Act” has the meaning set forth in Section 101.

- (ii) “Auction Rate Mode” means the mode during which the Bonds bear interest at an Auction Rate.
- (iii) “Authority’s Service Charge” means payment to the Authority for its own use of .375% of the principal amount of the Bonds payable on the date of the issue of the Bonds and an additional .375% of the then Outstanding principal balance of the Bonds payable on the date which is three years from the date of the issue of the Bonds.
- (iv) “Bond Counsel” means Palmer & Dodge LLP or such other nationally recognized bond counsel selected by the Company and reasonably satisfactory to the Trustee and the Bond Insurer.
- (v) “Bond Fund” means the fund established under Section 303.
- (vi) “Bond Insurance Agreement” means the Reimbursement and Indemnity Agreement dated as of December 19, 2001, between the Company and the Bond Insurer.
- (vii) “Bond Insurance Policy” means the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.
- (viii) “Bond Insurer” means MBIA Insurance Corporation, a New York stock insurance company.
- (ix) “Bond Insurer Default” has the meaning defined in Section 808(b).
- (x) “Bond Insurer Event of Insolvency” means the institution of a proceeding in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the Bond Insurer and the continuance of such proceeding for a period of sixty (60) consecutive days or such court enters an order granting the relief sought in such proceeding and such order is not reversed or action thereunder stayed within sixty (60) days of such entry.
- (xi) “Bondowners”, “owners” or words of similar import means the registered owners of the Bonds from time to time as shown in the books kept by the Trustee as bond registrar, except that wherever appropriate the term “owners” shall mean the owners of the Bonds for federal income tax purposes.
- (xii) “Bonds” means the \$89,250,000 principal amount of the Business Finance Authority of the State of New Hampshire Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 2001 Tax-Exempt Series B) dated the date of delivery and substantially in the form set forth in Subsection 301(a) and any bond or bonds duly issued in exchange or replacement therefor.
- (xiii) “Book-Entry Only System” means the system of registration of the Bonds described in Subsection 301(d).

(xiv) “Business Day” means a day other than a Saturday or Sunday and on which banks in each of the cities in which the principal offices of the Trustee, the First Mortgage Bond Trustee, the Remarketing Agent, if any, and the Paying Agent and the office of the Liquidity Provider at which draws on a Liquidity Facility, if any, are made are located are not required or authorized to remain closed and on which the New York Stock Exchange or the payment system of the Federal Reserve System is not closed.

(xv) “Company Bonds” shall have the meaning set forth in Section 305(e).

(xvi) “Company Representative” means the person or persons at the time designated to act on behalf of the Company in a written certificate (or any alternate or alternates at the time so designated) furnished to the Trustee, containing the specimen signature of such person or persons and signed on behalf of the Company by its Chairman, Vice Chairman, President, Chief Financial Officer, Treasurer, any Assistant Treasurer, or any Vice President.

(xvii) “Continuing Disclosure Agreement” means the Continuing Disclosure Agreement between the Company and the Trustee dated the date of issuance and delivery of the Bonds as originally executed and as it may be amended from time to time in accordance with its terms.

(xviii) “Debt Service” means all money payable to the Bondowners in accordance with the terms hereof and of the Bonds including (i) principal, (ii) interest and (iii) any premium.

(xix) “Default” has the meaning given such term in Section 801.

(xx) “Event of Default” has the meaning given such term in Section 801.

(xxi) “Facilities Agreement” has the meaning given to it in Section 605.

(xxii) “Federal Tax Statement” means the Statement as to Tax Exempt Status of Bonds executed by the Company in connection with the original issuance of the Bonds and delivered to the Trustee.

(xxiii) "First Mortgage Bond Indenture" means the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Twelfth Supplemental Indenture thereto dated as of December 1, 2001 between the Company and First Union National Bank, successor to First Fidelity Bank, National Association, New Jersey, as Trustee, as amended and supplemented from time to time.

(xxiv) "First Mortgage Bond Trustee" means the trustee under the First Mortgage Bond Indenture.

(xxv) “IRC” means the Internal Revenue Code of 1986, as it may be amended from time to time.

(xxvi) “Loan” has the meaning given such term in Section 201.

(xxvii) “Maximum Rate” means the lesser of fourteen percent (14%) per annum (or such separate rates for Bonds and Liquidity Provider Bonds as may be provided for by amendment to this Agreement) and the maximum rate of interest permitted by applicable law.

(xxviii) “MBIA” means MBIA Insurance Corporation, the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company, as Bond Insurer.

(xxix) “Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Company after consultation with the Remarketing Agent.

(xxx) “NAEC” means North Atlantic Energy Corporation, a New Hampshire corporation and an affiliate of the Company.

(xxxi) “1954 Code” means the Internal Revenue Code of 1954, as amended, as applicable to the Bonds and the Project Facilities.

(xxxii) “Outstanding”, when used to modify Bonds, refers to Bonds issued, authenticated, and delivered under this Agreement, excluding: (i) Bonds which have been exchanged or replaced; (ii) Bonds which have been paid; (iii) Bonds which have become due and for the payment of which moneys have been duly provided; and (iv) Bonds with respect to which this Agreement has been defeased pursuant to Section 204.

(xxxiii) “Paying Agent” means State Street Bank and Trust Company, as Paying Agent under this Agreement and its successors in such capacity.

(xxxiv) “Permitted Investments” has the meaning given such term in Section 308.

(xxxv) The word “person” means any individual or entity so recognized by law.

(xxxvi) “Project Costs” means the Company’s cost of acquisition or construction and installation of the Project Facilities which are “project costs” within the meaning of Paragraph 2, IX of the Act, including, but not limited to, the cost of issuing the Bonds, obtaining professional and advisory services, and certain interest on the Bonds, which may be paid from Bond proceeds pursuant to the Act.

(xxxvii) “Project Facilities” means the Company’s former ownership share of the sewage or solid waste disposal and air or water pollution control facilities at the Station as of the date of issuance of the Bonds described generally in the attached Exhibit A.

(xxxviii) “Refunding Trust Agreement” means the Refunding Trust Agreement, among the Authority, the Company and State Street Bank and Trust Company, as trustee for the 1991 Series C Bonds, dated as of October 1, 2001.

(xxxix) "S&P" means Standard & Poor's Ratings Services, a division of McGraw-Hill, duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Company after consultation with the Remarketing Agent.

(xl) "Seabrook Transfer" means each of the transfer by the Company of its interest in the Station (including the Project Facilities) to NAEC, as of June 5, 1992, the proposed transfer by NAEC of such interest to an unaffiliated party pursuant to an order of the New Hampshire Public Utilities Commission and any subsequent transfer of such interest.

(xli) "Seabrook Transferee" means each of NAEC, any subsequent owner or owners of the Project Facilities pursuant to a Seabrook Transfer, and its or their successors.

(xlii) "Securities Depository" means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Company which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

(xliii) "Series J First Mortgage Bonds" means the \$89,250,000 in aggregate principal amount First Mortgage Bonds, Series J issued by the Company and delivered to the Trustee pursuant to Section 201 of this Agreement and the First Mortgage Bond Indenture to evidence and secure the Company's obligation to repay the Loan.

(xliv) "Station" means Unit No. 1 of the nuclear electric generating plant located in Seabrook, New Hampshire, of which the Company is a joint owner.

(xlv) "Trustee" means the State Street Bank and Trust Company, as trustee under this Agreement and its successors in such capacity.

(xlvi) "UCC" means the New Hampshire Uniform Commercial Code (New Hampshire Revised Statutes Annotated Chapter 382-A).

(xlvii) "Variable Rate Mode" means the Daily Mode, Weekly Mode, Flexible Mode or Term Rate Mode (all as defined in Section 501).

Except in the Bonds, "here" in such words as "hereby," "herein," "hereof" or "hereunder" means this Agreement as a whole rather than the particular section, subsection, paragraph, subparagraph, clause or subclause in which the word appears; and in the Bonds it refers thereto.

(b) [Number and Gender](#). Wherever appropriate (1) the singular and plural forms of words and (2) words of different gender shall, within those respective classifications, be deemed interchangeable.

(c) [Use of Examples](#). When a condition, class, category, circumstance or other concept is described in general terms herein and a list of possible examples or components of what has been described generally is associated with that description, and regardless of whether the words “include” or “including” or the like are also used, the listing shall be deemed illustrative only and shall not be construed as excluding other possible examples or components or as otherwise limiting the generality of the description in any way.

ARTICLE II. [LOAN OF BOND PROCEEDS; THE ASSIGNMENT AND PLEDGE](#)

Section 201. [Loan of Bond Proceeds; Issue of First Mortgage Bonds](#). The Authority shall issue the Bonds pursuant to the Act in the amount, in the form, and with the terms provided herein, and shall loan to the Company such amount (the “Loan”) to refinance Project Costs as hereinafter provided. The Company agrees to repay the Loan of the aggregate principal amount of the Bonds in the amounts and at the times necessary to pay principal of, premium, if any, and interest on the Bonds by making the payments required under Section 305, and to evidence and secure the Company’s obligation to do so, the Company shall issue and deliver to the Trustee a like aggregate principal amount of its Series J First Mortgage Bonds in the form set forth in the First Mortgage Bond Indenture. Upon payment of the principal of and premium, if any, on any of the Bonds and payment of all accrued interest in connection therewith, whether at maturity or prior to maturity by redemption or otherwise, or upon provision for the payment thereof having been made in accordance with Section 204, Series J First Mortgage Bonds in an aggregate principal amount equal to the aggregate principal amount of the Bonds so paid, or for the payment of which such provision has been made, shall be deemed fully paid and the obligations of the Company thereunder terminated as provided in the First Mortgage Indenture and shall be surrendered by the Trustee to the First Mortgage Bond Trustee for cancellation. The Trustee shall promptly notify the First Mortgage Bond Trustee by telephone, confirmed in writing, of any default in the payment of principal of, and premium, if any, and interest on the Bonds, and shall promptly notify the First Mortgage Bond Trustee by telephone, confirmed in writing of any payment of principal of and premium, if any, and interest (other than payment of regularly scheduled interest) on the Bonds, or if the Bonds have been paid or deemed paid, defeased, redeemed, retired, surrendered or canceled. In accordance with the terms thereof, the Series J First Mortgage Bonds shall be issued to and registered in the name of the Trustee and shall not be sold, assigned, pledged or transferred, except to effect transfer to any successor Trustee hereunder. The Series J First Mortgage Bonds shall have a principal amount, an interest rate, a maturity date and redemption provisions corresponding to the Bonds. Payments of principal of and premium, if any, and interest on the Series J First Mortgage Bonds shall upon receipt by the Trustee be deemed to constitute payments of corresponding amounts by the Company in respect of the Bonds pursuant to Subsection 305(a).

Section 202. [Assignment and Pledge of the Authority](#). The Authority, for consideration paid as hereinabove acknowledged, hereby irrevocably assigns and pledges to the Trustee in trust for the security of the Bondowners upon the terms hereof all of the Authority’s right, title and interest in (i) respect of the Loan and all payments thereon, (ii) all moneys and securities held by the Trustee for deposit in, or deposited in, the Bond Fund and investment earnings thereon, (iii) the Series J First Mortgage Bonds, all bonds issued in replacement thereof or in exchange or substitution therefor and all payments on, and proceeds of, the foregoing, and (iv) any collateral

security for, and all proceeds of, any of the foregoing. The Trustee shall hold (a) all the rights, title and interest received under this section and (b) all payments (exclusive of funds to which the Trustee is entitled in its own right as fees, reimbursement, indemnity or otherwise) received from the Company or derived from the exercise of the Authority's powers hereunder (which shall include all payments under Subsection 305(a)) and in respect of the Series J First Mortgage Bonds in trust for the security of the Bondowners in accordance with the provisions hereof.

Section 203. [Further Assurance](#). The Company and the Authority shall from time to time execute, deliver and record and file such instruments as may be necessary to perfect or to maintain or continue the perfection of, or as the Trustee may reasonably require to confirm, perfect or maintain the security created hereby and the assignment and pledge of rights hereunder.

Section 204. [Defeasance](#). When there are in the Bond Fund sufficient funds, or non-callable and non-prepayable obligations issued by, or the full and timely payment of which are guaranteed by, the United States of America, in such principal amount, bearing interest at such rates and with such maturities as will provide, without reinvestment, sufficient amounts to pay principal or Purchase Price of, premium, if any, and interest on the Bonds as and when such amounts become due and, prior to the Fixed Rate Conversion Date or change to the Fixed Rate, as applicable, to pay the Purchase Price thereof whenever the same may be payable, as determined through a verification report or computation, which may be prepared by the Company, and when all the rights hereunder of the Authority and the Trustee have been provided for (1) the Bondowners will cease to be entitled to any right, benefit or security under this Agreement except the right to receive payment of the funds deposited and held for payment and other rights set forth below or which by their nature cannot be satisfied prior to or simultaneously with termination of the lien hereof, (2) the security interests created by this Agreement (except in such funds and investments) shall terminate, and (3) the Authority and the Trustee shall execute and deliver such instruments as may be necessary to discharge the lien and security interests created hereunder; provided, however, that, if within ninety (90) days of such deposit, the Bonds are not to be redeemed in full prior to maturity or paid in full at maturity, the Trustee and the Bond Insurer shall have received on the date of the deposit an opinion of Bond Counsel to the effect that such deposit and the investment thereof will not affect the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes; and provided further that if any Bonds are to be redeemed prior to the maturity thereof, such Bonds shall have been duly called for redemption or irrevocable instructions for such a call shall have been given to the Trustee. Upon such defeasance, the funds and investments required to pay or redeem the Bonds in full shall be irrevocably set aside for such purpose. The Trustee shall cause to be mailed to all Bondowners within fifteen (15) days of the conditions of this section being met in the manner herein specified for redemption of Bonds a notice stating that such conditions have been met and that the lien of this Agreement has been discharged, and, if the Bonds are to be redeemed prior to maturity, specifying the date of redemption and the redemption price. Any funds or property held by the Trustee for payment of the Bonds under this section and not required for such payment shall (unless there is an Event of Default hereunder, in which case they shall be applied as provided in Section 604), after satisfaction of all the rights of the Authority and the Trustee, and payment of the rebate, if any, due to the United States of America under IRC §148(f), and upon such indemnification, if any, as the Authority or the Trustee may reasonably require, be distributed to the Company. If Bonds are not presented for final payment

when due and moneys are available in the hands of the Trustee therefor, the Trustee shall, without liability for interest thereon, continue to hold the moneys held for that purpose subject to Subsection 305(c), and interest shall cease to accrue on the principal amount represented thereby.

When there are in the Bond Fund funds or securities as described in the preceding paragraph as are sufficient to pay principal or Purchase Price of, premium, if any, and interest on, some but not all of the Bonds in full as and when such amounts become due and all of the other conditions in the preceding paragraph have been met with respect to such Bonds, the particular Bonds (or portions thereof) for which such provision for payment shall have been considered made shall be selected by lot by the Trustee (or, if the Bonds are then registered to CEDE & CO. and the Book-Entry Only System is then in effect, by The Depository Trust Company) and thereupon the Trustee and the Authority shall take similar action to release the security interests created by this Agreement in respect of such Bonds (except in such funds or securities and investments thereon), subject however to compliance with the applicable conditions set forth in the provisos above.

Notwithstanding the foregoing, those provisions relating to the maturity of Bonds, interest payments and dates thereof and the Trustee's remedies with respect thereto, and provisions relating to exchange, transfer and registration of Bonds, replacement and cancellation of Bonds, the holding of moneys in trust and the duties of the Trustee in connection with all of the foregoing and the fees, expenses and indemnities of the Trustee and the Authority, shall remain in full force and effect and shall be binding upon the Trustee, the Authority, the Company and the Bondowners notwithstanding the release and discharge of this Agreement and the lien on the Series J First Mortgage Bonds until the Bonds have been actually paid in full.

Notwithstanding anything herein to the contrary, if moneys or governmental obligations have been deposited or set aside with the Trustee pursuant to the provisions of this Section 204 and the principal of, premium, if any, and interest on the Bonds shall not, in fact, have been actually paid in full, no amendment to the provisions of this Section 204 will be made without the consent of the owner of each of the Bonds affected thereby.

Subject to Section 808(b), any defeasance of the Bonds shall require the prior written consent, which consent shall not be unreasonably withheld, of the Bond Insurer.

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Company, and the assignment and pledge hereunder and all covenants, agreements and other obligations of the Company to the registered owners of the Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Bondowners.

ARTICLE III. [THE BORROWING](#)

Section 301. [The Bonds](#).

(a) [Details of the Bonds](#). The Bonds shall be issued in fully registered form and shall be numbered from 1 upwards in the order of their issuance or in any other manner deemed

appropriate by the Paying Agent and the Authority. The Bonds shall be initially in the denomination of \$25,000 or any integral multiple thereof prior to the Conversion Date and thereafter in Authorized Denominations as defined in Section 501. The Bonds shall be dated the date of original delivery thereof, and interest shall accrue from that date. The interest on Bonds until they come due shall be payable on the interest payment dates applicable to the Mode the Bonds are in from time to time; provided, however, that Liquidity Provider Bonds shall bear interest as described in Section 503. The Bonds shall be initially in the Auction Rate Mode. Bonds shall be signed on behalf of the Authority by the manual or facsimile signature of any two of the Chairman, Vice Chairman, Treasurer, and Executive Director and the corporate seal of the Authority or a facsimile thereof shall be engraved or otherwise reproduced thereon. The Certificate of Authentication of the Trustee shall be manually signed on behalf of the Trustee. No bonds shall be issued under this Agreement other than the Bonds. In case any officer of the Authority whose manual or facsimile signature shall appear on any Bonds shall cease to be such officer before the delivery thereof, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until after such delivery.

The Bonds shall mature on May 1, 2021 and shall bear interest as provided in this Agreement for the Mode they are in from time to time. The Bonds are subject to redemption and optional and mandatory tender for purchase all as described in Articles IV and V of this Agreement and the form of Bonds.

(b) [Form of Bonds](#). (i) The Bonds initially shall be issued in substantially the following form:

Unless this bond is presented by an authorized representative of The Depository Trust Company, a New York Company (“DTC”), to the Authority (as defined below) or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

Registered No. R _____ \$ _____

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
BUSINESS FINANCE AUTHORITY OF THE
STATE OF NEW HAMPSHIRE
Pollution Control Revenue Bond
(Public Service Company of New Hampshire Project –
2001 Tax-Exempt Series B)

CUSIP: 64468C AU 8

INITIAL INTEREST RATE: 1.55%

INITIAL PERIOD: December 19, 2001 through and including January 22, 2002

MATURITY DATE: May 1, 2021

DATE OF THIS BOND: December 19, 2001
(Date as of which Bonds of this
series were initially issued)

MODE: Auction Rate
(as of Date of Registration)

REGISTERED OWNER: CEDE & CO.

DATE OF REGISTRATION:

PRINCIPAL AMOUNT: DOLLARS

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAM-PSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Business Finance Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent Interest Payment Date (as defined in the Agreement) to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND, as the rates determined as set forth below, payable on each Interest Payment Date.

This bond is one of a series of Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project – 2001 Tax-Exempt Series B) (the "Bonds") in the aggregate principal amount of \$89,250,000 issued under New Hampshire Chapter RSA 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series B Loan and Trust Agreement (the "Agreement") dated as of October 1, 2001 among the Company, the Authority and the Trustee to refinance certain costs associated with the Company's prior ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series J

(the "Series J First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Twelfth Supplemental Indenture thereto dated as of December 1, 2001 between the Company and First Union National Bank, successor to First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series J First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee. Unless otherwise defined herein, capitalized terms shall have the meanings given them in the Agreement.

If an Event of Default (as defined in the Agreement) occurs and is continuing, the Trustee may, and upon the written request of Bondowners of at least 25% in principal amount of the Bonds outstanding shall, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable in accordance with the Agreement. The Bondowners shall have no right to institute any proceeding or pursue any other remedy to enforce the Bonds or the covenants of the Company under the Agreement except as provided therein.

The Bonds shall be issued initially in the Auction Rate Mode. This bond is initially issued in a thirty-five day Auction Period. At the option of the Company and upon certain terms and conditions provided for in the Agreement, this bond may at any time be converted to a daily, seven-day, 28-day, 35-day, three-month or six-month Auction Period or a Special Auction Period or converted to a Variable Rate Mode or to Fixed Rate Indebtedness, all as provided in the Agreement. Until conversion to the Daily Mode, Weekly Mode, Flexible Mode, Term Rate Mode or Fixed Rate Mode as provided below, this bond shall bear interest at an Auction Rate. The Auction Rate shall be the rate of interest determined by the auction agent designated as provided in the Agreement (herein, with its successors, the "Auction Agent") for each Auction Period or Special Auction Period, as defined below, pursuant to the Auction Procedures. In no event may the Auction Rate exceed the Maximum Auction Rate (as defined in the Agreement, initially the lesser of fourteen percent (14%) per annum or the maximum rate permitted by applicable law). The Bonds shall bear interest during the INITIAL PERIOD at the INITIAL INTEREST RATE. Thereafter, the Auction Agent shall redetermine the Auction Rate for each Auction Period as provided in the Agreement. The amount of interest due on any Interest Payment Date shall be the amount of unpaid interest accrued on this bond through the day preceding such Interest Payment Date or, if such Interest Payment Date is not a Business Day, through the day preceding the first Business Day succeeding such Interest Payment Date. The Auction Rate and the applicable auction procedures shall be as set forth in the Agreement, to which specific reference is made and which provisions are specifically incorporated herein by reference.

Upon conversion or reconversion to a Variable Rate Mode or the Fixed Rate Mode, this bond is subject to mandatory tender for purchase as described below. Each conversion of the Bonds from the Auction Mode to another Mode shall be subject to the conditions set forth herein and in the Agreement. In the event that the conditions for a proposed conversion from the Auction Rate Mode to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion and (ii) the next Auction Period shall be a seven-day Auction Period and the Auction Rate shall be the Maximum Auction Rate. In no event shall the failure of this bond to be converted to another Mode be deemed to be a default or an Event of Default (as defined in the Agreement).

Each determination and redetermination of the Auction Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bond Insurer, the Company and the Bondowners.

While this bond is in the Auction Rate Mode in a daily, seven-day, 28-day, 35-day or three-month Auction Period or Special Auction Period of 180 days or less, interest shall be computed on the basis of a 360-day year for the actual number of days elapsed. While this bond is in the Auction Rate Mode in a six-month Auction Period or Special Auction Period of more than 180 days, interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for.

Principal and interest on this bond is payable while this bond is in the Auction Rate Mode, by check mailed to the REGISTERED OWNER hereof, or by wire or bank transfer within the continental United States of America of immediately available funds to any REGISTERED OWNER of \$1,000,000 or more in principal amount of the Series Bonds upon written request of such REGISTERED OWNER received by the Trustee not less than five days prior to the record date, determined as of the close of business on the applicable record date, at its address as shown on the registration books maintained by the Paying Agent. The Purchase Price of Bonds tendered for purchase shall be paid as provided below.

The record date for payment of interest while this bond is in an Auction Rate Period other than a daily Auction Period is the second Business Day preceding the date on which interest is to be paid, and during a daily Auction Period, the last Business Day of the month preceding the date on which interest is to be paid.

After the Fixed Rate Conversion Date, the registered owner shall have no right to tender this bond for purchase.

This bond is subject to mandatory tender for purchase at a price of par plus accrued interest, if any, to the Purchase Date, on the Conversion Date from the Auction Rate Mode to another Mode. Notice of mandatory tender shall be given or caused to be given by the Trustee in writing to the REGISTERED OWNER at least fifteen (15) days (or, if this bond is then in a six-month Auction Period or a Special Auction Period of more than 180 days, 30 days) prior to the mandatory Purchase Date. The owner of this bond, by acceptance hereof, agrees to sell and surrender this bond at such price to any purchaser determined in accordance with the provisions

of the Agreement in the event of such mandatory tender and, on such Purchase Date, to surrender this bond to the Paying Agent for payment of the Purchase Price. From and after the Purchase Date, no further interest on this bond shall be payable to the REGISTERED OWNER, provided that there are sufficient funds available on the Conversion Date to pay the purchase price. All notices of tender of Bonds and deliveries of Bonds subject to mandatory tender shall be made to the Paying Agent at 2 Avenue de Lafayette, Boston, MA 02111, Attention: Corporate Trust Department.

The Purchase Price of Bonds in the Auction Rate Mode tendered for purchase is payable by wire or bank transfer within the continental United States of America in immediately available funds from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. If on any date this bond is subject to mandatory tender for purchase, payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 1:00 P.M., New York City time, or on the next Business Day without any additional accrued interest if presentation and surrender of this bond made after 1:00 P.M., New York City time.

This bond is also subject to optional redemption at 100% of the principal amount so redeemed plus accrued interest to the redemption date prior to the Fixed Rate Conversion Date at the direction of the Company in whole or in part on any Interest Payment Date immediately following the last day of an Auction Period during an Auction Rate Period; provided that in the event of any partial redemption of the Bonds prior to the Fixed Rate Conversion Date, the aggregate principal amount so redeemed shall be an integral multiple of \$25,000 and the aggregate principal amount of the Bonds of this series bearing interest at an Auction Rate that will remain Outstanding shall be at least \$10,000,000 unless otherwise consented to by the Broker-Dealer.

The Bonds are subject to mandatory redemption at any time at a redemption price of 100% of the principal amount of the Bonds so redeemed plus accrued interest to the redemption date in the event (i) the Company delivers to the Trustee an opinion of nationally recognized bond counsel selected by the Company and reasonably satisfactory to the Trustee (“Bond Counsel”) stating that interest on the Bonds is or will become includable in gross income of the owners thereof for federal income tax purposes, or (ii) it is finally determined by the Internal Revenue Service or a court of competent jurisdiction, as a result of (A) a proceeding in which the Company has participated or been given notice and an opportunity to participate, and (B) either a failure by the Company or the Seabrook Transferee (as defined in the Agreement) to observe any covenant or agreement undertaken in or pursuant to the Agreement or a Seabrook Transfer (as defined in the Agreement), or the inaccuracy of any representation made by the Company or the Seabrook Transferee in or pursuant to the Agreement or a Seabrook Transfer, that interest payable on the Bonds is includable for federal income tax purposes in the gross income of any owner thereof (other than an owner which is a “substantial user” or a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986). Any determination under clause (ii) above will not be considered final for this purpose until the earliest of the conclusion of any appellate review, the denial of appellate review or the expiration of the period for seeking appellate review. Redemption under this paragraph shall be in whole unless not later than forty-five (45) days prior to the redemption date the Company delivers to the Trustee an opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that a redemption of less than

all of the Bonds will preserve the tax-exempt status of interest on the remaining Bonds outstanding subsequent to such redemption. Any such redemption shall be made on the 60th day after the date on which the opinion described in clause (i) is delivered or the determination described in clause (ii) becomes final or on such earlier date as the Company may designate by notice given to the Trustee at least forty-five (45) days prior to such designated date. If such redemption shall occur in accordance with the terms of the Agreement, then such failure by the Company or the Seabrook Transferee to observe such covenant or agreement, or the inaccuracy of any such representation will not, in and of itself, constitute a default thereunder.

If the Trustee receives written notice from any Bondowner stating that (i) such Bondowner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on the Bonds in the gross income of such owner for federal income tax purposes, or any other proceeding has been instituted against such owner which may lead to a like determination, and (ii) such owner will afford the Company the opportunity to participate at its own expense in the proceeding, either directly or in the name of such owner, until the conclusion of any appellate review, and the Trustee has examined such written notice and it appears to be accurate on its face, then the Trustee shall promptly give notice thereof to the Company, the Authority, and each Bondowner whose Bonds may be affected. The Trustee shall thereafter keep itself reasonably informed of the progress of any administrative proceedings or litigation relating to such notice. Under the Agreement the Company is required to give the Trustee written notice of such a final determination within forty-five (45) days of such final determination.

If less than all of the outstanding Bonds are to be called for redemption, the Bonds or portions thereof to be redeemed will be selected by the Trustee by lot or in any customary manner as determined by the Trustee in units of \$25,000, provided that for so long as CEDE & CO., as nominee of the Depository Trust Company (“DTC”), is the REGISTERED OWNER and the Book-Entry Only System (as defined in the Agreement) is in effect, the particular Bonds or portions thereof to be redeemed shall be selected by DTC, in such manner as DTC may determine.

In the event this bond (or any portion thereof) is selected for redemption prior to the Fixed Rate Conversion Date, notice will be mailed by the Trustee no fewer than 15 days (and no fewer than 30 days when this bond is in a six-month Auction Period or a Special Auction Period of 180 days or more) prior to the redemption date to the REGISTERED OWNER. Failure to mail notice to the owner of any other Bond or any defect in the notice to such other owner shall not affect the redemption of this bond.

The Trustee shall give or cause to be given notice of any redemption of this bond as provided above to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. A certificate of the Trustee shall conclusively establish the mailing of any such notice for all purposes. Notice of redemption having been duly mailed, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Paying Agent, from and after the date fixed for redemption, interest on this bond (or such portion) will no longer accrue.

In certain circumstances set out herein, this bond (or portion thereof) is subject to purchase or redemption, in each case upon notice to or from the owner hereof as of a date prior to such purchase or redemption. In each such event and upon deposit of the purchase or redemption price with the Paying Agent on the purchase or redemption date, as the case may be, this bond (or portion thereof) shall cease to be deemed to be Outstanding under the Agreement, interest hereon shall cease to accrue as of the purchase or redemption date, and the REGISTERED OWNER hereof shall be entitled only to receive the purchase or redemption price so deposited with the Paying Agent but only upon surrender of this bond to the Paying Agent.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the principal corporate trust office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. This bond may also be exchanged at the principal corporate trust office of the Paying Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any. The Paying Agent will not be required to make an exchange or transfer of this bond (except in connection with any mandatory tender of this bond) (i) if this bond (or any portion thereof) has been selected for redemption or (ii) during the fifteen (15) days preceding any date fixed for selection for redemption if this bond (or any portion thereof) is eligible to be selected for redemption.

The Bonds are issuable only in fully registered form in the denominations of \$25,000 or any multiple thereof with respect to Bonds in the Auction Rate Mode.

The Authority, the Trustee and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond shall not be valid until the Certificate of Authentication has been signed by the Trustee.

BUSINESS FINANCE AUTHORITY OF
THE STATE OF NEW HAMPSHIRE

By: _____
Chairman

By: _____
Executive Director

(Seal)

Certificate Of Authentication

This bond is one of the Bonds described in the Agreement.

STATE STREET BANK AND TRUST
COMPANY, as Trustee

By: _____
Authorized Signer

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the “Insurer”) has issued a policy containing the following provisions, such policy being on file at the principal corporate trust office of the Trustee (which on the date of this Bond is State Street Bank and Trust Company, Boston, Massachusetts).

The Insurer, in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to State Street Bank and Trust Company, or its successor, as Paying Agent for the Bonds (the “Paying Agent”) of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the “Insured Amounts.” “Obligations” shall mean:

\$89,250,000

Business Finance Authority of the State of New Hampshire
Pollution Control Revenue Bonds
(Public Service Company of New Hampshire Project – 2001 Tax-Exempt Series B)
Auction Rate Securities

Upon receipt of telephonic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the

due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term “owner” shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Authority or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancelable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

The policy has been endorsed as follows:

It is further understood that this policy shall guarantee to the owner or holder, as defined in the policy, the full and complete payments required to be made by or on behalf of the Issuer if there occurs pursuant to the terms of the Obligations an event which results in the loss of the tax exempt status of the interest on the Obligations, including any principal, interest or premium payments payable thereon, if any, as and when thereby required.

This endorsement forms a part of the policy to which it is attached, effective on the inception date of the policy.

MBIA INSURANCE CORPORATION

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee

and irrevocably appoints _____
attorney-in-fact to transfer it on the books kept for registration of the bond, with full power of
substitution.

NOTE: The signature to this assignment must
correspond with the name as written on the face of
the bond without alteration or enlargement or other
change and must be guaranteed by a Participant in a
Recognized Signature Guaranty Medallion
Program.

Dated:

Signature Guaranteed:

Participant in a Recognized Signature
Guaranty Medallion Program

By: _____
Authorized Signature

(ii) In the event of a conversion of any series of the Bonds from the Auction Rate Mode to any other Mode, the Company shall cause to be prepared and Trustee shall deliver, new Bonds to the owners thereof in substantially the form set forth in Subsection 301(b)(i) with such insertions and deletions as are necessary or desirable, as determined by the Company, to reflect the terms of the Bonds in the Daily Mode, Weekly Mode, Flexible Mode, Term Rate Mode or Fixed Rate Mode, as applicable.

(c) [Replacement of Bonds](#). Replacement Bonds shall be issued pursuant to applicable law as a result of the destruction, loss or mutilation of the Bonds. The costs of a replacement shall be paid or reimbursed by the applicant, who shall indemnify the Authority, the Trustee, the Paying Agent and the Company against all liability and expense in connection therewith.

(d) [Registration of Bonds in the Book-Entry Only System.](#)

(i) The provisions of this Subsection 301(d) shall apply with respect to any Bond registered to CEDE & CO. or any other nominee of The Depository Trust Company (“DTC”) while the Book-Entry Only System (meaning the system of registration described in paragraph (ii) of this Subsection 301(d)) is in effect.

(ii) The Bonds shall be issued in the form of a separate single authenticated fully registered Bond for each Mode of Bonds in substantially the form set forth in Subsection 301(b). Any legend required to be on the Bonds by DTC may be added by the Trustee or Paying Agent. On the date of original delivery thereof, the Bonds shall be registered in the registry books of the Paying Agent in the name of CEDE & CO., as nominee of The Depository Trust Company as agent for the Authority in maintaining the Book-Entry Only System. With respect to Bonds registered in the registry books kept by the Paying Agent in the name of CEDE & CO., as nominee of DTC, the Authority, the Paying Agent, the Remarketing Agent, if any, the Company and the Trustee shall have no responsibility or obligation to any Participant (which means securities brokers and dealers, banks, trust companies, clearing Companies and various other entities, some of whom or their representatives own DTC) or to any Beneficial Owner (which means, when used with reference to the Book-Entry Only System, the person who is considered the beneficial owner of the Bonds pursuant to the arrangements for book entry determination of ownership applicable to DTC) with respect to the following: (A) the accuracy of the records of DTC, CEDE & CO. or any Participant with respect to any ownership interest in the Bonds, (B) the delivery to or from any Participant, any Beneficial Owner or any other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption or tender (whether mandatory or optional), or (C) the payment to any Participant, any Beneficial Owner or any other person, other than DTC, of any amount with respect to the principal of or premium, if any, or interest on the Bonds. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of DTC, and all such payments shall be valid and effective fully to satisfy and discharge the Authority’s obligations with respect to the principal of and premium, if any, and interest on such Bonds to the extent of the sum or sums so paid. No person other than DTC shall be entitled to receive an authenticated Bond evidencing the obligation of the Authority to make payments of principal of and premium, if any, and interest pursuant to this Agreement. Upon delivery by DTC to the Trustee or the Paying Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & CO., the words “CEDE & CO.” in this Agreement shall refer to such new nominee of DTC.

(iii) Upon receipt by the Authority and the Trustee, the Paying Agent or the Remarketing Agent, if any, of written notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities, the Paying Agent shall issue, transfer and exchange Bonds as requested by DTC in appropriate amounts, and whenever DTC requests the Authority, the Paying Agent, the Trustee and the Remarketing Agent, if any, to do so, the Trustee, the Paying Agent, the Remarketing Agent, if any, and the Authority will cooperate with DTC in taking appropriate action after reasonable notice (A) to arrange for a substitute bond depository willing and able upon reasonable and customary

terms to maintain custody of the Bonds or (B) to make available Bonds registered in whatever name or names the Bondowners transferring or exchanging such Bonds shall designate.

(iv) In the event the Company determines that it is in the best interests of the Beneficial Owners that they be able to obtain Bond certificates, the Authority may so notify DTC, the Paying Agent, the Remarketing Agent, if any, and the Trustee, whereupon DTC will notify the Participants of the availability through DTC of Bond certificates. In such event, the Paying Agent shall issue, transfer and exchange Bond certificates of the initial series as requested by DTC in appropriate amounts and in authorized denominations. Whenever DTC requests the Authority and the Paying Agent to do so, the Paying Agent and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to make available Bonds registered in whatever name or names the Beneficial Owners transferring or exchanging Bonds shall designate.

(v) Notwithstanding any other provision of this Agreement to the contrary, so long as any Bond is registered in the name of CEDE & CO., as nominee of DTC, all payments with respect to the Purchase Price and principal of and premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the Authority's Letter of Representation (the "Representation Letter") for the Bonds dated December 4, 2001. The form of such Representation Letter may be modified in a manner consistent with the provisions of this Agreement upon conversion or reconversion of the Bonds to another Mode or Rate Period in which the Book-Entry Only System is in effect.

(vi) Notwithstanding any provision in Section 307 to the contrary, so long as all of the Bonds Outstanding are held in the Book-Entry Only System, (A) if less than all of such Bonds are to be redeemed upon any redemption of Bonds hereunder, the particular Bonds or portions of Bonds of such series to be redeemed shall be selected by DTC in such manner as DTC may determine, and (B) if less than all of such Bonds are to be converted to a different Mode, upon any conversion to such Mode hereunder, the beneficial interests in particular Bonds or portions of Bonds to be converted shall be selected by DTC in such manner as DTC may determine.

(vii) So long as the Book-Entry Only System is in effect, a Beneficial Owner who elects to have its Bonds purchased or tendered pursuant to the Agreement shall effect delivery by causing a Participant to transfer the Beneficial Owner's interest in the Bonds pursuant to the Book-Entry Only System. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory tender for purchase will be deemed satisfied when the ownership rights in the Bonds are transferred in accordance with the Book-Entry Only System.

(viii) While the Bonds bear interest in a Variable Rate Mode, so long as the Book-Entry Only System is in effect, the Remarketing Agent, if any, shall communicate to DTC information concerning the purchasers of Tendered Bonds as may be necessary or appropriate, and, notwithstanding any provision in the Representations Letter to the

contrary, the Remarketing Agent shall continue to remit to the Paying Agent interest rate determination information pursuant to the terms of this Agreement.

(ix) While the Bonds bear interest in a Variable Rate Mode, notwithstanding any provision of this Agreement to the contrary, if the Book-Entry Only System is in effect while a Liquidity Facility is in effect, Company Bonds or Liquidity Provider Bonds, if any, shall be registered in the name of the Company or the Liquidity Provider, as the case may be, and a separate Bond certificate shall be issued to and held by the Paying Agent for the Company or the Liquidity Provider, as the case may be, and the registration books maintained by the Paying Agent shall indicate (i) the Company or the Liquidity Provider, as the case may be, as the owner of any Company Bonds or Liquidity Provider Bonds and (ii) that CEDE & CO. is no longer the owner of such Company Bonds or Liquidity Provider Bonds, as the case may be. Upon any Bond ceasing to be a Company Bond or Liquidity Provider Bond, as the case may be, such Bond shall be re-registered in the name of CEDE & CO.

(e) [Interest on Overdue Principal](#). Any overdue principal of any Bond shall bear interest after its maturity or acceleration at the then-effective interest rate of the Bonds.

(f) [Cancellation and Destruction of Bonds](#). All Bonds paid or redeemed in full, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, and all Bonds surrendered in any exchanges or transfers, shall thereupon be promptly canceled. All Bonds acquired and owned by the Company and delivered to the Trustee for cancellation shall be deemed paid and shall be promptly canceled. Bonds so canceled may at any time be cremated or otherwise destroyed by the Trustee, which shall execute a certificate of cremation or destruction in duplicate by the signature of one of its authorized officers describing the Bonds so cremated or otherwise destroyed, and one executed certificate shall be filed with the Authority and the other executed certificate shall be retained by the Trustee.

Section 302. [Application of Bond Proceeds](#). The Authority shall loan the proceeds of the Bonds to the Company by promptly causing (A) the accrued interest, if any, to be deposited in the Bond Fund and (B) \$89,250,000 to be deposited with State Street Bank and Trust Company, as trustee under the Refunding Trust Agreement, to refund a portion of the 1991 Series C Bonds on a current basis. The Company represents and warrants that (i) substantially all of the proceeds (within the meaning of the 1954 Code) of the Authority's \$112,500,000 Adjustable Rate Solid Waste Disposal and Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project – 1989 Series) (the "1989 Bonds"), which were refunded by the 1991 Series C Bonds, were spent to pay directly or to reimburse the Company for Project Costs; (ii) such Project Costs were incurred by and were chargeable to the capital account of the Company; (iii) such Project Costs are costs of "sewage or solid waste disposal facilities" or "air or water pollution control facilities" within the meaning of Section 103(b)(4)(E) or (F) of the 1954 Code incurred and paid after January 14, 1976; and (iv) such Project Costs were for an "industrial facility" within the meaning of Paragraphs 2, VII (d) and (e) of the Act. The Company shall pay expenses and costs of issuance of the Bonds from its own funds.

Section 303. [Bond Fund](#). A Bond Fund is hereby established with the Trustee for the account of the Company, and moneys shall be deposited therein as provided in this Agreement. The Company hereby grants to the Trustee for the benefit of the Bondowners a lien on and security interest in all deposits in the Bond Fund. The moneys in the Bond Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided in Sections 304, 804 and 903, shall be applied by the Trustee solely to the payment of principal of, premium, if any, and interest on the Bonds. If at any time the amount in the Bond Fund exceeds the amount necessary to pay or redeem the Bonds in full, and all amounts owing or to be owing under this Agreement to the Authority and the Trustee have been paid or provided for to the reasonable satisfaction of the Trustee and the Authority, then the excess shall be paid to the Company except as otherwise may be required by applicable law. When moneys in the Bond Fund are to be applied to the payment of the Bonds, such moneys shall be transferred by the Trustee to itself for the account of the Authority and shall then be so applied. The Trustee shall pay out of the Bond Fund on each payment date the amount required for the payment of principal of, premium, if any, and interest on the Bonds payable on such date (whether at maturity, upon redemption, by acceleration or otherwise).

Section 304. [Application of Moneys](#). If available moneys in the Bond Fund are not sufficient on any day to pay all principal of, premium, if any, and interest on the Outstanding Bonds then due or overdue, such moneys shall, after payment of all amounts owing to the Trustee and the Authority under this Agreement, be applied first to the payment of interest, including interest on overdue principal, in the order in which the same became due (pro rata with respect to interest which became due at the same time) and second to the pro rata payment of principal and premium, if any, without regard to the order in which the same became due, in each case pro rata among Bondowners. For this purpose interest on overdue principal shall be treated as coming due on the first day of each month. Whenever moneys are applied pursuant to this section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its discretion shall determine, having due regard to the amount of such moneys available and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion it shall fix the date (which shall be the first day of a month unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. When interest or a portion of the principal is to be paid on an overdue Bond, the Trustee may require presentation of the Bond for endorsement of the payment.

Section 305. [Payments by the Company](#).

(a) [Debt Service](#). Not later than the opening of business on the second Business Day preceding an Interest Payment Date or the date on which a payment of principal or redemption premium or Purchase Price is due, at maturity, upon redemption, by acceleration or otherwise, the Company shall pay or cause to be paid to the Trustee for deposit in the Bond Fund an amount in immediately available funds on such date equal to the payment then coming due less the amount, if any, then in the Bond Fund and available to pay Debt Service. At any time when any principal of the Bonds is overdue, the Company shall also have a continuing obligation to pay to the Trustee for deposit in the Bond Fund an amount equal to interest on the overdue principal,

but the payments required under this section shall not otherwise bear interest. The Company may make payments to the Bond Fund earlier than required by this section, but such payments shall not affect the accrual of interest. If any moneys are invested in accordance with this Agreement and a loss results therefrom so that there are insufficient funds to pay principal of, premium, if any, and interest on the Bonds when due, the Company shall supply the deficiency.

(b) Additional Payments.

(i) The Company shall pay when due the Authority's Service Charge and other expenses as provided in Section 1003.

(ii) Within thirty (30) days after notice from the Trustee, the Company shall pay to the Trustee the reasonable fees and expenses of the Trustee as set forth in Section 903 and other indemnified or reimbursable amounts.

(c) Unclaimed Moneys. Except as may otherwise be required by applicable law, in case any moneys deposited with the Trustee for the payment of the principal of, premium, if any, or interest on any Bond remain unclaimed for three years after such principal, premium, if any, or interest has become due and payable, the Trustee may, and upon receipt of a written request of the Company Representative shall, pay over to the Company the amount so deposited and thereupon the Trustee and the Authority shall be released from any further liability with respect to the payment of such principal, premium or interest, and the owner of such Bond shall be entitled (subject to any applicable statute of limitations) to look only to the Company as an unsecured creditor for the payment thereof.

(d) Rebate. The Company shall pay to the United States of America when due any rebate with respect to the Bonds pursuant to IRC §148(f).

(e) Purchase Price. If the amount available from a Liquidity Facility, together with all other amounts received by the Paying Agent for the purchase of Bonds tendered pursuant to Sections 414, 513 or 514, is not sufficient to pay the Purchase Price of such Bonds on the Purchase Date, the Paying Agent shall before 12:00 P.M., New York City time, on such Purchase Date, notify the Company and the Trustee of such deficiency by telephone or telegraph promptly confirmed in writing. The Company shall pay to the Paying Agent in immediately available funds by 12:30 P.M. New York City time, on the Purchase Date for Bonds tendered pursuant to Sections 414, 513 or 514, an amount equal to the Purchase Price of such Bonds less the amount, if any, available to pay the Purchase Price in accordance with Sections 414, 513 or 514 as the case may be, from the proceeds of the remarketing of such Bonds or from drawings on the Liquidity Facility, as reported by the Paying Agent. Bonds so purchased with moneys furnished by the Company ("Company Bonds") shall be registered to the Company, but shall be delivered to and held by the Paying Agent for the account of the Company until transferred pursuant to the following sentence or cancelled. Company Bonds held by the Paying Agent shall, upon written instructions of the Company, be cancelled or transferred to the Remarketing Agent for delivery to or at the direction of any purchaser of such Bonds from the Company which the Company certifies is a person other than the Company or a "related person" as such term is used in Section 144(a)(3) of the IRC, whereupon such Bonds shall no longer be Company Bonds. Any Company Bond shall not be subject to purchase under Sections 513 and 514 and, if so registered

for a period of ninety (90) days without being resold, shall be canceled, and the Company shall deliver the Bonds to the Paying Agent.

Section 306. [Unconditional Obligation](#). The obligation of the Company to make payments under this Agreement shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever as provided in the Act and shall not be subject to set-off, recoupment or counterclaim, and shall be a general obligation of the Company to which the full faith and credit of the Company are pledged. The Company shall be obligated to make such payments whether or not the Project Facilities have ceased to exist or be functional to any extent from any cause whatsoever. The Company shall be obligated to make such payments regardless of whether it is in possession or entitled to be in possession of the Project Facilities.

Section 307. [Redemption of the Bonds](#). The Bonds shall be subject to redemption prior to maturity under the circumstances, in the manner and subject to the conditions provided in this section, in Article IV and V and in the form of Bonds. Whenever Bonds are called for redemption, the accrued interest thereon shall become due on the redemption date. Transfers and payments for the purpose of redeeming Bonds under this Agreement shall be made on behalf of the Authority, and the Authority hereby consents to any redemption of Bonds in accordance herewith. Except as otherwise provided in Subsection 301(d), if less than all of the Bonds are to be redeemed, the Bonds to be redeemed shall be selected by the Trustee by lot or in any customary manner as determined by the Trustee provided that the Trustee shall redeem prior to any other Bonds (i) Bonds that are Liquidity Provider Bonds at the time of selection for redemption and (ii) after the redemption of such Liquidity Provider Bonds, Bonds that are Company Bonds at the time of selection for redemption.

(a) [Optional Redemption](#). The Bonds may be redeemed at the times and prices as provided in the form of Bonds and in Article V at the option of the Company upon written notice given by the Company to the Authority, the Remarketing Agent, if any, the Trustee and the Paying Agent at the time specified in the form of Bonds or Article V, as applicable, or, after the Fixed Rate Conversion Date or change to the Fixed Rate, at least sixty (60) days, before the redemption date.

(b) [Reserved](#).

(c) [Mandatory Taxability Redemption](#). The Outstanding Bonds are subject to mandatory redemption at any time at a redemption price of 100% of the principal amount of the Bonds so redeemed plus accrued interest to the redemption date in the event (i) the Company delivers to the Trustee and the Bond Insurer an opinion of Bond Counsel stating that interest on the Bonds is or will become includable in gross income of the owners thereof for federal income tax purposes, or (ii) it is finally determined by the Internal Revenue Service or a court of competent jurisdiction, as a result of (A) a proceeding in which the Company has participated or been given notice and an opportunity to participate, and (B) either a failure by the Company or the Seabrook Transferee to observe any covenant or agreement undertaken in or pursuant to this Agreement or a Seabrook Transfer, or the inaccuracy of any representation made by the Company or the Seabrook Transferee in or pursuant to this Agreement or a Seabrook Transfer, that interest payable on the Bonds is includable for federal income tax purposes in the gross income of any owner thereof (other than an owner which is a “substantial user” or a “related

person” within the meaning of IRC Section 147(a)). Any determination under clause (ii) above will not be considered final for this purpose until the earliest of the conclusion of any appellate review, the denial of appellate review or the expiration of the period for seeking appellate review. Redemption under this Subsection 307(c) shall be in whole unless, not later than forty-five (45) days prior to the redemption date, the Company delivers to the Trustee an opinion of Bond Counsel to the effect that a redemption of less than all of the Bonds will preserve the tax-exempt status of interest on the remaining Bonds outstanding subsequent to such redemption. Any redemption under this Subsection 307(c) shall be made on the 60th day after the date on which the opinion described in clause (i) is delivered or the determination described in clause (ii) becomes final or on such earlier date as the Company may designate by notice given to the Trustee at least forty-five (45) days prior to such designated date. If such redemption shall occur in accordance with the terms of this Agreement, then such failure by the Company or the Seabrook Transferee to observe such covenant or agreement, or the inaccuracy of any such representations will not, in and of itself, constitute a Default hereunder.

If the Trustee receives written notice from any Bondowner stating that (I) such Bondowner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on the Bonds in the gross income of such owner for federal income tax purposes, or any other proceeding has been instituted against such owner which may lead to a like determination, and (II) such owner will afford the Company the opportunity to participate at its own expense in the proceeding, either directly or in the name of such owner, until the conclusion of any appellate review, and the Trustee has examined such written notice and it appears to be accurate on its face, then the Trustee shall promptly give notice thereof to the Company, the Authority, and each Bondowner whose Bonds may be affected. The Trustee shall thereafter keep itself reasonably informed of the progress of any administrative proceedings or litigation relating to such notice.

(d) [Notice to the Trustee](#). The Company shall exercise its option to have Bonds redeemed under Subsection 307(a) by giving written notice to the Trustee at least forty-five (45) days before the redemption date. The Company shall keep the Trustee informed of the progress of any proceeding referred to in Subclause 307(c)(ii)(A) and shall give written notice to the Trustee within forty-five (45) days after it has actual knowledge of a final determination as described in Clause 307(c)(ii).

(e) [Payment of Redemption Price and Accrued Interest](#). Whenever Bonds are called for redemption, the accrued interest thereon shall become due on the redemption date and shall be paid from the Bond Fund to the extent available therein. To the extent not otherwise provided, the Company shall deposit with the Trustee prior to the redemption date a sufficient sum to pay the redemption price and accrued interest.

(f) [Notice of Redemption](#). When Bonds are to be redeemed, the Trustee shall give notice to Bondowners in the name of the Authority as provided in the form of Bond and this Subsection 307(f), which notice shall identify the Bonds or portions thereof to be redeemed and state the date fixed for redemption and the place or places of payment of the redemption price. The notice shall further state that on such date there shall become due and payable upon each Bond or portion thereof to be redeemed the redemption price thereof, together with interest accrued to the redemption date, that money available therefor having been deposited with the

Trustee, from and after such date, interest thereon shall cease to accrue and that the Bonds or portions thereof called for redemption shall cease to be entitled to any benefit under this Agreement except the right to receive payment of the redemption price. Failure to mail notice to a particular Bondowner, or any defect in the notice to such Bondowner, shall not affect the redemption of any other Bond.

Section 308. [Investments](#).

(a) Pending their use under this Agreement, moneys in the Bond Fund may be invested or reinvested by the Trustee at the written direction of the Company Representative (upon which the Trustee may conclusively rely) in Permitted Investments, as defined below, with maturities at or before the time when such moneys are required to be available and shall be so invested upon and pursuant to written direction of the Company if no Default known to the Trustee then exists under this Agreement; provided that the Company shall not request, authorize or permit any investment which would cause any of the Bonds to be classified as “arbitrage bonds” as defined in IRC §148(a). Any investments and proceeds thereof shall be held by the Trustee as part of the Bond Fund and shall be sold or redeemed at the direction of the Company to the extent necessary to make payments or transfers or anticipated payments or transfers from such Fund.

(b) Any interest or dividends realized from an investment and any profit realized upon the sale or disposition thereof shall be credited to the Bond Fund and any loss shall be charged thereto.

(c) (1) The term “Permitted Investments” means (A) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; (B) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

- (i) U.S. Export-Import Bank (Eximbank) - Direct obligations or fully guaranteed certificates of beneficial ownership;
- (ii) Farmers Home Administration (FmHA) - Certificates of beneficial ownership;
- (iii) Federal Financing Bank
- (iv) Federal Housing Administration Debentures (FHA)
- (v) General Services Administration - Participation certificates
- (vi) Government National Mortgage Association (GNMA or "Ginnie Mae") - GNMA - guaranteed mortgage-backed bonds and GNMA - guaranteed pass-through obligations

(vii) U.S. Maritime Administration - Guaranteed Title XI financing

(viii) U.S. Department of Housing and Urban Development (HUD) - Project Notes, Local Authority Bonds, New Communities Debentures - U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds;

(C) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System - Senior debt obligations

(ii) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") - Participation Certificates and Senior debt obligations

(iii) Federal National Mortgage Association (FNMA or "Fannie Mae") - Mortgage-backed securities and senior debt obligations

(iv) Student Loan Marketing Association (SLMA or "Sallie Mae") - Senior debt obligations

(v) Resolution Funding Corp. (REFCORP) obligations, and

(vi) Farm Credit System - Consolidated systemwide bonds and notes;

(D) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAM-G; AAAM; or Aam; (E) Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral; (F) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF; (G) Investment Agreements, including GIC \$, acceptable to the Bond Insurer; (H) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P; (I) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies; (J) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P; and (K) Repurchase agreements acceptable to the Bond Insurer.

(2) Notwithstanding the immediately preceding paragraph Permitted Investments shall not include the following:

(i) obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, certificates of

deposit and bankers' acceptances, in each case with yields lower than the yield available on comparable obligations of the United States Treasury; or

(ii) any demand deposit or similar account with a bank, trust company or broker, unless the account is used for holding funds for a short period of time until such funds are reinvested or spent.

Any of the requirements of this paragraph (2) shall not apply to moneys as to which the Trustee and the Authority shall have received an opinion of nationally recognized bond counsel to the effect that such requirements are not necessary to preserve the exclusion of interest on Bonds from the gross income of the owner thereof for federal income tax purposes. Any such Permitted Investments obtained from or through, or issued by, the Trustee in its commercial banking or other capacity, or any of its affiliates, shall be permitted (provided that such investment otherwise qualifies in accordance with the definition of "Permitted Investments").

Section 309. [Tax Status of Bonds](#). The Company will perform its obligations and agreements contained in the Federal Tax Statement as if they were set forth herein. All representations of the Company in the Federal Tax Statement shall be treated as if they were set forth herein. Any covenants, agreements or representations made by the Company or any transferee of the Project Facilities (or any successor to such a transferee) in connection with such a transfer shall be performed and treated as if set forth herein. The Authority will cooperate with the Bondowners and the Company to the extent deemed necessary or permitted by law in the opinion of bond counsel to the Authority in order to preserve the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

Section 310. [Paying Agent](#). The Paying Agent shall act as such and as Bond registrar and transfer agent. The Paying Agent, which may act by means of agents, shall signify its acceptance of the duties and obligations imposed upon it hereunder by its written instrument of acceptance addressed and delivered to the parties hereto under which the Paying Agent will agree to:

(i) hold all sums delivered to it by the Trustee for the payment of principal (including sinking fund installments) of, premium, if any, and interest on the Bonds or paid to it by the Company or under a Liquidity Facility in trust for the benefit of the Bondowners until such sums shall be paid to the Bondowners or otherwise disposed of as herein provided;

(ii) hold all Bonds tendered to it hereunder in trust for the benefit of the respective Bondowners until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Bondowners;

(iii) hold all Liquidity Provider Bonds for the benefit of the Liquidity Provider until such Liquidity Provider Bonds shall have been remarketed by the Remarketing Agent or redeemed in the manner set forth in Section 307 and Article V and in the form of Bonds and any Liquidity Facility;

(iv) hold all moneys delivered to it hereunder for the purchase of Bonds in trust for the benefit of the person or entity which shall have so delivered such moneys

until the Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;

(v) keep such books and records as shall be consistent with prudent industry practice and make such books and records, including the books of registration for the Bonds, available for inspection by the parties hereto, the Liquidity Provider, if any, and the Remarketing Agent, if any, at all reasonable times;

(vi) promptly report to the Trustee all authentications of Bonds transferred, exchanged or remarketed and any information received by it concerning the names and addresses of Bondowners; and

(vii) give all notices of the Paying Agent at the times and in the manner required by this Agreement and send to the Remarketing Agent, if any, copies of all such notices.

The Paying Agent shall be entitled to the advice of counsel (who may be counsel for any party) and shall not be liable for any action taken in good faith in reliance on such advice. The Paying Agent may rely conclusively on any telephone or written notice, certificate or other document furnished to it under this Agreement and reasonably believed by it to be genuine. The Paying Agent shall not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment or other action by the Paying Agent is called for by this Agreement, it may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof. A permissive right or power to act shall not be construed as a requirement to act. The Paying Agent shall not in any event be liable for the application or misapplication of funds, or for other acts or defaults, by any person, firm or Company except by their respective directors, officers, agents and employees. No recourse shall be had by the Company, the Authority, the Trustee, the Liquidity Provider, if any, or any Bondowner for any claim based on this Agreement or the Bonds against any director, officer, agent or employee of the Paying Agent unless such claim is based upon the bad faith, fraud or deceit of such person. For the purposes of this Agreement matters shall not be considered to be known to the Paying Agent unless they are known to an officer in its corporate trust division.

The Company shall pay to the Paying Agent reasonable compensation for its services and pay or reimburse the Paying Agent for its reasonable expenses and disbursements, including reasonable attorney's fees, hereunder. The Company shall indemnify and save the Paying Agent harmless against any liabilities and reasonable expenses which it may incur in the exercise of its duties hereunder and which are not due to its negligence or bad faith. Any fees, expenses, reimbursements or other charges which the Paying Agent may be entitled to receive from the Company hereunder, if not paid when due, shall bear interest at the "base rate" of the Paying Agent (or, if none, the nearest equivalent).

The Company may discharge the Paying Agent from time to time (upon not less than thirty days advance written notice, unless such discharge is for cause) and appoint a successor, but such removal shall not take effect until a successor approved in writing by the Bond Insurer has been appointed and has accepted the appointment. The Company shall also designate a successor if the Paying Agent resigns or becomes ineligible. The Paying Agent may resign by giving at least sixty (60) days' written notice to the parties hereto, but such resignation shall not take effect until a successor approved in writing by the Bond Insurer has been appointed and has accepted the appointment. Each successor Paying Agent shall be a commercial bank or trust company having a capital and surplus of not less than \$50,000,000, shall be registered as a transfer agent with the Securities and Exchange Commission, and shall be capable of performing the duties prescribed for it herein in Boston, Massachusetts or New York, New York. The Paying Agent may but need not be the same person as the Trustee. The Company shall give notice of the appointment of a successor Paying Agent in writing to each Bondowner and the Bond Insurer. The Company will promptly certify to the Trustee that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that such notice was given in the manner required hereby.

In the event of the resignation or removal of the Paying Agent, the Paying Agent shall pay over, transfer, assign and deliver any moneys and Bonds, including Liquidity Provider Bonds and unauthenticated Bonds, held by it, any Liquidity Facility (which transfer shall be made in accordance with the terms thereof), and the books of registry maintained by it in such capacity to its successor or, if there be no successor, to the Trustee, who shall act in the capacity of Paying Agent until a successor is appointed.

Any Company, association, partnership or firm which succeeds to the business of the Paying Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Paying Agent under this Agreement and shall be subject to all the duties and obligations of the Paying Agent under this Agreement.

In the event that the Paying Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Paying Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Authority or the Company, as the case may be, shall not have appointed its successor, the Trustee shall appoint a successor and, if no appointment is made within thirty (30) days, shall apply to a court of competent jurisdiction for such appointment.

The Paying Agent shall send or cause to be sent notice to Bondowners of a change of address for the delivery of Bonds or notices or the payment of principal or purchase price of Bonds.

Section 311. [Payment Procedure Pursuant to Bond Insurance Policy](#). (a) In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Bonds due on the second following or following, as the case may be, Business Day, the Trustee shall immediately notify the Bond Insurer or its designee on the same Business Day by

telephone, facsimile or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(b) If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Bond Insurer or its designee.

(c) In addition, if the Trustee has actual notice that any Bondowner has been required to disgorge payments of principal or interest on the Bond to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondowner within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Bond Insurer or its designee of such fact by telephone, facsimile or telegraphic notice, confirmed in writing by registered or certified mail.

(d) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Bondowners as follows:

(i) If and to the extent there is a deficiency in amounts required to pay interest on the Bonds, the Trustee shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Bond Insurance Policy (the "Insurance Paying Agent"), in form reasonably satisfactory to the Insurance Paying Agent, an instrument appointing the Bond Insurer as agent for such Bondowners in any legal proceeding related to the payment of such interest and an assignment to the Bond Insurer of the claims for interest to which such deficiency relates and which are paid by the Bond Insurer, (b) receive as designee of the respective Bondowners (and not as Trustee) in accordance with the tenor of the Bond Insurance Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Bondowners; and

(ii) If and to the extent of a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (a) execute and deliver to the Insurance Paying Agent in form reasonably satisfactory to the Insurance Paying Agent an instrument appointing the Bond Insurer as agent for such Bondowners in any legal proceeding relating to the payment of such principal and an assignment to the Bond Insurer of any of the Bonds surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Bondowners (and not as Trustee) in accordance with the tenor of the Bond Insurance Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Bondowners.

(e) Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the Authority with respect to such Bonds, and the Bond Insurer shall become

the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this section or otherwise.

(f) Irrespective of whether any such assignment is executed and delivered, the Authority and the Trustee hereby agree for the benefit of the Bond Insurer that:

(i) They recognize that to the extent the Bond Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the Bonds, the Bond Insurer will be subrogated to the rights of such Owners to receive the amount of such principal and interest from the Authority, with interest thereon as provided and solely from the sources stated in this Agreement and the Bonds; and

(ii) They will accordingly pay to the Bond Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Bond Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Agreement and the Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Bonds to Bondowners, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

(g) Copies of any amendments made to the documents executed in connection with the issuance of the Bonds which are consented to by the Bond Insurer shall be sent to S&P.

(h) The Bond Insurer shall receive notice of the resignation or removal of the Trustee and the appointment of a successor thereto.

(i) The Bond Insurer shall receive copies of all notices required to be delivered to Bondowners and, on an annual basis, the Company shall provide to the Bond Insurer copies of the Company's audited financial statements and annual budget.

(j) Any notice that is required to be given to an owner of the Bonds or to the Trustee or by any party pursuant to this Agreement shall also be provided to the Bond Insurer. All notices required to be given to the Bond Insurer under this Agreement shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, NY 10504, Attention: Surveillance.

Section 312. [The Bond Insurer.](#) (a) Except as provided in Subsection 808(b), anything in this Agreement to the contrary notwithstanding, the Bond Insurer shall be deemed to be the owner of the Bonds for purposes of giving consents (including consent to amendments to this Agreement other than those requiring unanimous consent of the affected Bondowners), notices, directions and waivers to the Company, the Authority and the Trustee under this Agreement.

(b) Except as provided in Subsection 808(b), the Bond Insurer, acting alone, shall have the right to direct all remedies pursuant to Section 802(b) in an Event of Default, subject to the terms of this Agreement.

ARTICLE IV.

SPECIAL PROVISIONS RELATING TO AUCTION RATE SECURITIES

Section 401. Definitions. In addition to the words and terms elsewhere defined in this Agreement, the following words and terms as used in this Article IV and elsewhere in this Agreement have the following meanings with respect to Bonds in an Auction Rate Period unless the context or use indicates another or different meaning or intent:

“Agent Member” means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

“Auction” means each periodic implementation of the Auction Procedures.

“Auction Agent” means the auctioneer appointed in accordance with Section 410 or 411 of this Agreement and shall initially be The Bank of New York.

“Auction Agreement” means the Series B Auction Agreement dated as of October 1, 2001 between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Article IV, with respect to the Bonds while bearing interest at an Auction Rate, as such agreement may from time to time be amended or supplemented.

“Auction Date” means during any period in which the Auction Procedures are not suspended in accordance with the provisions hereof, (i) if the Bonds are in a daily Auction Period, each Business Day, (ii) if the Bonds are in a Special Auction Period, the last Business Day of the Special Auction Period, and (iii) if the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date); provided, however, that the last Auction Date with respect to Bonds in an Auction Period other than a daily Auction Period or Special Auction Period shall be the earlier of (a) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for such Bonds and (b) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for such Bonds; and provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the Business Day next preceding the Conversion Date for such Bonds and (y) the Business Day next preceding the final maturity date for such Bonds. The last Business Day of a Special Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion. The first Auction Date for the Bonds is January 22, 2002.

“Auction Index” shall have the meaning specified in Section 407 of this Agreement.

“Auction Multiple” means, as of any Auction Date, the Percentage of Auction Index (in effect on such Auction Date) determined as set forth below, based on the Prevailing Rating of the Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date:

<u>Prevailing Rating</u>	<u>Percentage of Auction Index</u>
AAA/Aaa	125%
AA/Aa	150
A/A	175
BBB/Baa	200
Below BBB/Baa	225

“Auction Period” means (i) a Special Auction Period,

(ii) with respect to Bonds in a daily mode, a period beginning on each Business Day and extending to but not including the next succeeding Business Day,

(iii) with respect to Bonds in a seven-day mode, a period of generally seven days beginning on the day of the week designated by the Broker-Dealer (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day prior to such designated day of the week) and ending on such day of the week thereafter designated by the Broker-Dealer (unless such day of the week is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),

(iv) with respect to Bonds in a 28-day mode, a period of generally 28 days beginning on the day of the week designated by the Broker-Dealer (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day prior to such designated day of the week) and ending on such day of the fourth week thereafter designated by the Broker-Dealer (unless such day of the week is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),

(v) with respect to Bonds in a 35-day mode, a period of generally 35 days beginning on the day of the week designated by the Broker-Dealer (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day prior to such designated day of the week) and ending on such day of the fifth week thereafter designated by the Broker-Dealer (unless such day of the week is not followed by a Business Day, in which case on the next succeeding day followed by a Business Day),

(vi) with respect to Bonds in a three-month mode, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the first day of the month that is the third calendar month following the beginning date of such Auction Period, and

(vii) with respect to Bonds in a semiannual mode, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding May 1 or November 1;

provided, however, that if there is a conversion of Bonds (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on such day of the week of the next succeeding week designated by the Broker-Dealer (unless such day of the week is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on such day of the week designated by the Broker-Dealer (unless such day of the week is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on such day of the week designated by the Broker-Dealer (unless such day of the week is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

“Auction Procedures” means the procedures for conducting Auctions for Bonds during an Auction Rate Period set forth in this Article IV.

“Auction Rate” means for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of such Bonds are the subject of Submitted Hold Orders, the Minimum Auction Rate with respect to the Bonds and (ii) if Sufficient Clearing Bids do not exist, the Maximum Auction Rate with respect to the Bonds.

“Auction Rate Conversion Date” means the date on which the Bonds convert from an interest rate period other than an Auction Rate Period and begin to bear interest at an Auction Rate.

“Auction Rate Period” means after the Initial Period any period of time commencing on the day following the Initial Period and ending on a Conversion Date to a Variable Rate or the Fixed Rate Conversion Date.

“Auction Rate Securities” means any Bonds while they bear interest at the Auction Rate.

“Available Bonds” means for Bonds on each Auction Date, the aggregate principal amount of such Bonds that are not the subject of Submitted Hold Orders.

“Bid” has the meaning specified in subsection (a) of Section 402 of this Agreement.

“Bidder” means each Existing Owner and Potential Owner who places an Order.

“Broker-Dealer” means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Agreement that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Company, with the consent of the Authority and Morgan Stanley & Co. Incorporated, so long as Morgan Stanley & Co. Incorporated is a Broker-Dealer, and that is a party to a Broker-Dealer Agreement with the Auction Agent.

“Broker-Dealer Agreement” means an agreement among the Auction Agent, the Company and one or more Broker-Dealers pursuant to which such Broker-Dealers agree to follow the procedures described in this Article IV, as such agreement may from time to time be amended or supplemented.

“Conversion Date” means the respective date on which the Bonds begin to bear interest at a Fixed Rate or in a Variable Rate Mode.

“Date of Original Delivery” means December 19, 2001, or such other date or dates on which the respective Bonds are first issued and delivered.

“Default Rate” means, in respect of any Auction Period other than a daily Auction Period, a per annum rate equal to two hundred fifty percent (250%) of the Auction Index determined on the Auction Date next preceding the first day of such Auction Period or in the case of Bonds in a daily Auction Period, two hundred fifty percent (250%) of the Auction Index determined on the Auction Date which was the first day of such Auction Period, provided, however, the Default Rate shall not exceed the lesser of (x) 14% per annum or (y) the maximum rate permitted by applicable law, anything herein to the contrary notwithstanding.

“Existing Owner” means a Person who is listed as the beneficial owner of Bonds in the records of the Auction Agent.

“Fixed Rate” means the fixed rate or rates of interest to be borne by the Bonds converted to Fixed Rate Indebtedness on or after a Fixed Rate Conversion Date.

“Fixed Rate Conversion Date” means a date on which all of the Bonds are converted to Fixed Rate Indebtedness as provided in Section 412 hereof. The Fixed Rate Conversion Date shall be (i) the second regularly scheduled Interest Payment Date following the final Auction Date with respect to Bonds bearing interest at an Auction Rate in an Auction Rate Period other than a daily Auction Period, provided that with respect to Bonds in a Special Auction Period, the Fixed Rate Conversion Date shall be the Interest Payment Date immediately following the last day of the final Auction Period, or (ii) the next regularly scheduled Interest Payment Date with respect to Bonds bearing interest at an Auction Rate in a daily Auction Period.

“Fixed Rate Indebtedness” means, as of any date of determination, any Bonds bearing interest at a fixed rate for the remainder of their term.

“Fixed Rate Mode” means the Mode in which the Bonds bear interest at a Fixed Rate.

“Fixed Rate Period” means a period, commencing on a Fixed Rate Conversion Date for the Bonds and ending on the final maturity date therefor, during which such Bonds shall be Fixed Rate Indebtedness.

“Hold Order” has the meaning specified in subsection (a) of Section 402 of this Agreement.

“Initial Period” means the period from the date of initial delivery of the Bonds through and including January 22, 2002.

“Interest Payment Date” with respect to Bonds bearing interest at Auction Rates, means January 23, 2002, and thereafter (a) when used with respect to any Auction Period other than a daily Auction Period or a Special Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Special Auction Period of (i) seven or more but fewer than 92 days, the Business Day immediately following such Special Auction Period, or (ii) 92 or more days, the day of the week of each thirteenth week designated by the Broker-Dealer, after the first day of such Special Auction Period, or the next Business Day if such day of the week designated by the Broker-Dealer is not a Business Day and on the Business Day immediately following such Special Auction Period, (d) after the Fixed Rate Conversion Date, each May 1 and November 1, (e) each mandatory tender date, and (f) the maturity date.

“Maximum Auction Rate” means as of any Auction Date, a per annum rate of interest equal to the product of the Auction Index multiplied by the Auction Multiple; provided, however, that in no event shall the Maximum Auction Rate exceed the lesser of (x) 14% per annum or (y) the maximum rate permitted by applicable law, anything herein to the contrary notwithstanding.

“Minimum Auction Rate” means, as of any Auction Date, a per annum rate of interest equal to 45% of the Auction Index in effect on such Auction Date.

“Mode” means the Daily Mode, Weekly Mode, Flexible Mode, Term Rate Mode (all as defined in Section 501), Fixed Rate Mode or Auction Rate Mode.

“Order” means a Hold Order, Bid or Sell Order.

“Potential Owner” means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any.

“Prevailing Rating” means (a) AAA/Aaa, if the Bonds shall have a rating of AAA or better by S&P and a rating of Aaa or better by Moody’s, (b) if not AAA/Aaa, AA/Aa if the Bonds shall have a rating of AA- or better by S&P and a rating of Aa3 or better by Moody’s, (c) if not AAA/Aaa or AA/Aa, A/A if the Bonds shall have a rating of A- or better by S&P and a rating of A3 or better by Moody’s, (d) if not AAA/Aaa, AA/Aa or A/A, BBB/Baa if the Bonds shall have a rating of BBB- or better by S&P and a rating of Baa3 or better by Moody’s and (e) if not AAA/Aaa, AA/Aa, A/A or BBB/Baa, then below BBB/Baa, whether or not the Bonds are

rated by any securities rating agency. For purposes of this definition, S&P's rating categories of "AAA", "AA-", "A-" and "BBB-" and Moody's rating categories of "Aaa", "Aa3", "A3" and "Baa3" shall be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agencies shall have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof shall use different rating categories. If the Bonds are not rated by a Rating Agency, the requirement of a rating by such Rating Agency shall be disregarded. If the ratings for the Bonds are split between two of the foregoing categories, the lower rating shall determine the Prevailing Rating. If there is no rating, then the Auction Rate shall be the Maximum Auction Rate.

"Principal Office" means, with respect to the Auction Agent, the office thereof designated in writing to the Company, the Authority, the Trustee and the Broker-Dealer.

"Purchase Date" means the Conversion Date.

"Record Date" means during an Auction Rate Period other than a daily Auction Period, the second Business Day preceding an Interest Payment Date therefor, and during a daily Auction Period, the last Business Day of the month preceding an Interest Payment Date.

"Remarketing Agent" has the meaning specified in Section 501.

"Sell Order" has the meaning specified in subsection (a) of Section 402 of this Agreement.

"Special Auction Period" means any period of not less than seven nor more than 1,092 days which begins on an Interest Payment Date and ends on the day of the week designated by the Broker-Dealer, unless such day of the week designated by the Broker-Dealer is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day.

"Submission Deadline" means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date for a series of Bonds in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

"Submitted Bid" has the meaning specified in subsection (b) of Section 404 of this Agreement.

"Submitted Hold Order" has the meaning specified in subsection (b) of Section 404 of this Agreement.

"Submitted Order" has the meaning specified in subsection (b) of Section 404 of this Agreement.

"Submitted Sell Order" has the meaning specified in subsection (b) of Section 404 of this Agreement.

“Sufficient Clearing Bids” means an Auction for which the aggregate principal amount of Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Auction Rate is not less than the aggregate principal amount of Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Auction Rate.

“Winning Bid Rate” means the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the Auction Rate would cause the aggregate principal amount of Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds.

Section 402. [Orders by Existing Owners and Potential Owners.](#)

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Bonds, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of Bonds, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof, an Order containing the information referred to in clause (i)(A) above is herein referred to as a “Hold Order”, an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a “Bid”, and an Order containing the information referred to in clause (i)(C) above is herein referred to as a “Sell Order.”

(b)(i) A Bid by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 405 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 405 hereof if such specified rate shall be higher than the Maximum Auction Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 405 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an irrevocable offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 405 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies Bonds to be held, purchased or sold in a principal amount which is not \$25,000 or an integral multiple thereof shall be rounded down to the nearest \$25,000, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction; and

(iv) the Auction Procedures shall be suspended during the period commencing on the date of the Auction Agent's receipt of notice from the Trustee or the Authority of the occurrence of an Event of Default resulting from a failure to pay principal, premium or interest on any Bond when due (provided however that for purposes of this provision only payment by the Bond Insurer shall be deemed to cure such Event of Default and no such suspension of the Auction Procedures shall occur) but shall resume two Business Days after the date on which the Auction Agent receives notice from the Trustee that such Event of Default has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Section 403. [Submission of Orders by Broker-Dealers to Auction Agent.](#)

(a) The Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, including such electronic communication acceptable to the parties, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and, if requested, specifying with respect to each Order:

- (i) the name of the Bidder placing such Order;
 - (ii) the aggregate principal amount of Bonds, if any, that are the subject of such Order;
 - (iii) to the extent that such Bidder is an Existing Owner:
 - (A) the principal amount of Bonds, if any, subject to any Hold Order placed by such Existing Owner;
 - (B) the principal amount of Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and
 - (C) the principal amount of Bonds, if any, subject to any Sell Order placed by such Existing Owner;
 - (iv) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.
- (b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds of such series held by such Existing Owner and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Bonds to be converted held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on

behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the principal amount of Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of the Bonds subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) above, all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above; and

(D) the principal amount, if any, of such Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including a principal amount of Bonds equal to the excess of the principal amount of Bonds held by such Existing Owner over the sum of the principal amount of the Bonds considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of Bonds considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) above.

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of Bonds specified therein.

(f) Any Bid submitted for Bonds by an Existing Owner or a Potential Owner specifying a rate lower than the Minimum Auction Rate shall be treated as a Bid specifying the Minimum Auction Rate.

(g) Neither the Authority, the Company, the Trustee nor the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Section 404. [Determination of Auction Rate](#)

(a) Not later than 9:30 a.m., New York City time, on each Auction Date, the Auction Agent shall advise the Broker-Dealers and the Trustee by telephone or other electronic communication acceptable to the parties of the Minimum Auction Rate, the Maximum Auction Rate and the Auction Index for such Bonds.

(b) Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a “Submitted Hold Order,” a “Submitted Bid” or a “Submitted Sell Order,” as the case may be, and collectively as a “Submitted Order”) and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above, the Auction Agent shall advise the Trustee by telephone (promptly confirmed in writing), telex or facsimile transmission or other electronic communication acceptable to the parties of the Auction Rate for the next succeeding Auction Period and the Trustee shall promptly notify DTC of such Auction Rate.

(d) In the event the Auction Agent fails to calculate, or for any reason fails to timely provide, the Auction Rate for any Auction Period, the Auction Rate for such Auction Period, with respect to the applicable series of Bonds, shall be the Maximum Auction Rate; provided, however, that if the Auction Procedures are suspended due to the failure of principal of, premium or interest on any Bond to be paid, the Auction Rate for the next succeeding Auction Period shall be the Default Rate.

(e) In the event of a failed conversion of any series of Bonds to a Variable Rate Period or a Fixed Rate Period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Rate for the next Auction Period shall be the Maximum Auction Rate and the Auction Period shall be a seven-day Auction Period.

(f) If the Bonds are not rated by either Moody’s or S&P, then the Auction Rate shall be the Maximum Auction Rate.

Section 405. [Allocation of Bonds](#).

(a) In the event of Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid

Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii) or (iv) above by (B) a fraction the numerator of which shall be the principal amount of Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the principal amount of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Auction Rate with respect to the Bonds, shall be accepted, thus requiring

each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Auction Rate with respect to the Bonds, shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Auction Rate with respect to the Bonds, shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Auction Rate with respect to the Bonds shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Bonds which is not an integral multiple of \$25,000 on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of \$25,000, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase less than \$25,000 in principal amount of Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate Bonds for purchase among Potential Owners so that the principal amount of Auction Rate Securities purchased on such Auction Date by any Potential Owner shall be an integral multiple of \$25,000, even if such allocation results in one or more of such Potential Owners not purchasing Bonds on such Auction Date.

Section 406. [Notice of Auction Rate.](#)

(a) On each Auction Date, the Auction Agent shall notify by telephone or other telecommunication device or other electronic communication acceptable to the parties or in

writing the Broker-Dealer that participated in the Auction held on such Auction Date of the following with respect to Bonds for which an Auction was held on such Auction Date:

- (i) the Auction Rate determined on such Auction Date for the succeeding Auction Period;
- (ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;
- (iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the principal amount of Bonds, if any, to be sold by such Existing Owner;
- (iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the principal amount of Bonds, if any, to be purchased by such Potential Owner;
- (v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and
- (vi) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each series of Bonds for which an Auction was held on such Auction Date, the Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Existing Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

Section 407. [Auction Index](#).

- (a) The Auction Index on any Auction Date with respect to Bonds in any Auction

Period of 35 days or less shall be the Seven-Day “AA” Non Financial Composite Commercial Paper Rate on such date. The Auction Index with respect to Bonds in any Auction Period greater than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period, as last published in The Bond Buyer. If either rate is unavailable, the Auction Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Company.

“Seven-Day ‘AA’ Non Financial Composite Commercial Paper Rate” on any date of determination, means (A) the interest equivalent of the seven-day rate on commercial paper placed on behalf of issuers whose corporate bonds are rated AA by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or (B) if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by Morgan Stanley & Co. Incorporated, Lehman Commercial Paper Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated or, in lieu of any thereof, their respective affiliates or successors which are commercial paper dealers (the “Commercial Paper Dealers”), to the Auction Agent before the close of business on the Business Day immediately preceding such date of determination.

For purposes of the definition of Seven-Day “AA” Non Financial Composite Commercial Paper Rate, the “interest equivalent” means the equivalent yield on a 360-day basis of a discount-basis security to an interest-bearing security. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the Seven-Day “AA” Non Financial Composite Commercial Paper Rate, the Seven-Day “AA” Non Financial Composite Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers and any substitute commercial paper dealer not included within the definition of Commercial Paper Dealer above, which may be CS First Boston Corporation or Goldman Sachs & Co. or their respective affiliates or successors which are commercial paper dealers (a “Substitute Commercial Paper Dealer”) selected by the Trustee (who shall be under no liability for such selection) to provide such commercial paper rate or rates not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or if the Trustee does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers.

(b) If for any reason on any Auction Date the Auction Index shall not be determined as hereinabove provided in this Section, the Auction Index shall be the Auction Index for the Auction Period ending on such Auction Date.

(c) The determination of the Auction Index as provided herein shall be conclusive and binding upon the Company, the Authority, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Section 408. [Miscellaneous Provisions Regarding Auctions.](#)

(a) In this Article IV, each reference to the purchase, sale or holding of “Bonds” shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an Auction Rate Period with respect to any Bonds, the provisions of this Agreement and the definitions contained herein and described in this Article IV, including without limitation the definitions of Maximum Auction Rate, Minimum Auction Rate, Auction Index, Default Rate, Auction Multiple and the Auction Rate, may be amended pursuant to this Agreement, by obtaining the consent of the owners of all Outstanding Bonds bearing interest at an Auction Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the Outstanding Bonds as required by this Agreement, (i) the Auction Rate which is determined on such date is the Winning Bid Rate and (ii) there is delivered to the Authority and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income tax to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the owners of all affected Outstanding Bonds bearing interest at an Auction Rate.

(c) During an Auction Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 409. [Changes in Auction Period or Auction Date.](#)

(a) [Changes in Auction Period.](#) (i) During any Auction Rate Period, the Company may with the written consent of the Bond Insurer, from time to time on any Interest Payment Date, change the length of the Auction Period with respect to all of the Bonds among daily, seven-days, 28-days, 35-days, three months, six months and a Special Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds; provided, however, in the case of a change from a Special Auction Period the date of such change shall be the Interest Payment Date immediately following the last day of the final Auction Period. The Company shall initiate the change in the length of the Auction Period by giving written notice to the Trustee, the Bond Insurer, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period. In the event that the Company is in default under any of its obligations relating to the Bonds (including without limitation any default under this Agreement or the Bond Insurance Agreement), the Bond Insurer will succeed to any rights of the Company to direct a conversion of the interest rate on the Bonds. The Trustee shall not be charged with knowledge or notice of any such default, other than a default under Section 801(a)(i) unless and except to the extent it has actual knowledge thereof or has received written notice thereof from the Insurer.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Special Auction Period and shall be for all of the Bonds in an Auction Rate Period.

(iii) The change in the length of the Auction Period shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change.

(iv) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds except to the extent such Existing Owner submits an Order with respect to such Bonds. If the condition referred to above is not met, the Auction Rate for the next Auction Period shall be the Maximum Auction Rate and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any Auction Rate Period, the Auction Agent, with the written consent of the Company, may specify an earlier Auction Date for the Bonds (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of “Auction Date” in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Bonds. The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Company, the Broker-Dealers and the Securities Depository.

Section 410. [Auction Agent.](#)

(a) The Auction Agent shall be appointed by the Trustee upon, and as designated in, the written direction of the Company to perform the functions specified herein. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the Company, the Authority, the Trustee and the Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Company and the Trustee.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Bonds with the same rights as if such entity were not the Auction Agent.

Section 411. [Qualifications of Auction Agent; Resignation; Removal.](#) The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States of America or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (b) a member of NASD having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by

this Agreement and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Agreement by giving at least ninety (90) days notice to the Company, the Authority, the Bond Insurer and the Trustee. The Auction Agent may be removed at any time by the Company by written notice, delivered to the Auction Agent, the Authority, the Bond Insurer and the Trustee. Upon any such resignation or removal, the Trustee shall appoint a successor Auction Agent, with the approval of the Bond Insurer, upon, and as designated in, the written direction of the Company meeting the requirements of this Section. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties hereunder until its successor has been appointed by the Trustee. The Company shall be solely responsible for payment of compensation to the Auction Agent for its services. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving thirty (30) days notice to the Company, the Authority and the Trustee even if a successor Auction Agent has not been appointed.

Section 412. [Conversion](#).

(a) Notice. At the option of the Company, with the prior written consent of the Bond Insurer, all (but not less than all) of the Bonds outstanding may be converted to the Daily Mode, Weekly Mode, Flexible Mode, Term Rate Mode or Fixed Rate Mode on a Conversion Date selected by the Company; provided that the Company's right to convert Bonds to another Mode shall terminate on the date of defeasance of such Bonds pursuant to Section 204; and provided further that no conversion shall be effective if the Bonds to be converted are not fully remarketed on the applicable mandatory tender date. Upon timely written notice from the Company, the Trustee shall give notice of any proposed conversion not fewer than 15 days (or, if the Bonds are then in a six-month Auction Period or a Special Auction Period of more than 180 days, 30 days) before the proposed Conversion Date to the registered owner, the Paying Agent, the Auction Agent and the Broker-Dealer. Such notice will state:

- (1) the title, outstanding principal amount and CUSIP number(s) of the Bonds to be converted to the Daily Mode, Weekly Mode, Flexible Mode, Term Rate Mode or Fixed Rate Mode;
- (2) the proposed Conversion Date;
- (3) that all of the Bonds to be converted will be subject to mandatory tender for purchase on the Conversion Date, at a price equal to par plus accrued interest to the Conversion Date;
- (4) the consequences of a failed conversion (which shall be as provided in subsection (c) below);
- (5) the time and address at which the Bonds are to be tendered for purchase;
- (6) that the conversion of the Bonds to the Daily Mode, Weekly Mode, Flexible Mode, Term Rate Mode or Fixed Rate Mode will not become effective unless the Trustee and the Authority shall have received, no later than one day before the

proposed Conversion Date, an opinion of Bond Counsel to the effect that the conversion to the applicable Mode will not adversely affect the exclusion of interest on the Bonds from the gross income of the registered owner or the beneficial owners of the Bonds for federal income tax purposes and, on the proposed Conversion Date, a confirmation of such opinion; and

(7) that after the Conversion Date, the registered owner and any beneficial owners shall have no further rights with respect to the Bonds so converted except to receive the purchase price therefor on the Conversion Date, with no interest accruing thereon.

Such notice to the owners shall be made by first class mail or, at the Company's option, certified mail, return receipt requested. Any notice mailed as provided in this Section 412 to the registered owner at its address listed in the registration books of the Paying Agent shall be conclusively presumed to have been duly given, whether or not the registered owner received the notice, and the failure of the registered owner to receive any such notice shall not affect the validity of the action described in such notice. For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, notices of mandatory tender for purchase of Bonds shall be given to DTC only, and none of the Authority, the Company, the Trustee, or the Paying Agent or any other Person shall have any responsibility for the delivery of any of such notices by DTC to any participants of DTC or by any direct or indirect participants of DTC to beneficial owners of the Bonds.

(b) Terms of Bonds in Daily, Weekly, Flexible, Term Rate and Fixed Rate Modes. The Remarketing Agent shall determine the Daily, Weekly, Flexible, Term or Fixed Rate on a Business Day at least one Business Day prior to the proposed Conversion Date to the Daily, Weekly, Flexible, Term Rate or Fixed Rate Mode, as applicable. The Daily, Weekly, Flexible, Term Rate or Fixed Rate shall be determined by the Remarketing Agent as described in Article V. The Bonds so converted shall be subject to optional and mandatory redemption at the times and in the amounts described in Article V.

(c) Failure to Convert. If any of the conditions to conversion of the Bonds from the Auction Mode to another Mode are not met, such conversion shall not take effect and the next Auction Period shall be a seven-day Auction Period and the Auction Rate of such Auction Period shall be the Maximum Auction Rate. In no event shall the failure of any Bond to be converted to another Mode be deemed to be a default or an Event of Default hereunder.

Section 413. Credit Ratings. The Company shall take all reasonable action necessary to enable at least two nationally recognized statistical rating organizations (as that term is used in the rules and regulations of the Securities and Exchange Commission under the Securities Exchange Act) to provide credit ratings for the Bonds.

Section 414. Mandatory Tender.

(a) Agreement to Tender. Each registered owner, by its acceptance of the Bonds, agrees to tender its Bonds to the Paying Agent for purchase on a Conversion Date properly endorsed for transfer in blank, at the time and address specified in such notice.

(b) [Purchase of Tendered Bonds](#). Delivery to the Paying Agent of Bonds to be tendered for purchase, together with wire payment instructions satisfactory to the Paying Agent, is required to be made on the Purchase Date in accordance with the procedures described in Sections 518 and 519. If the Bonds are delivered after the time described in Sections 518 or 519, as applicable, payment will be made on the next Business Day without any additional accrued interest. Bonds which are required to be tendered for purchase shall cease bearing interest from and after the date tender is required regardless of whether such Bonds are presented for payment and Owners shall have no further rights with respect to such Bonds other than the right to receive payment of the purchase price upon surrender of the Bonds.

For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, delivery of Bonds required to be tendered for purchase shall be effected by the transfer by a direct participant of DTC on the Purchase Date of a book entry credit to the account of the Paying Agent of a beneficial interest in such Bonds. For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, payment of the purchase price shall be paid directly to DTC in accordance with the Representation Letter.

In receiving Bonds hereunder, the Paying Agent shall be acting as a conduit and shall not be purchasing such Bonds for its own account. The performance of the Paying Agent's duties is subject to certain terms and standards set forth in this Agreement.

ARTICLE V.

[SPECIAL PROVISIONS RELATING TO VARIABLE RATE AND FIXED RATE MODES](#)

Section 501. [Definitions](#). In addition to the words and terms elsewhere defined in this Agreement, the following words and terms as used in this Article V and elsewhere in this Agreement have the following meanings with respect to Bonds in a Variable Rate Mode or Fixed Rate Mode unless the context or use indicates another or different meaning or intent:

“Alternate Credit Enhancement” or “Alternate Liquidity Facility” shall mean a letter of credit, insurance policy, line of credit, surety bond, standby purchase agreement or other security or liquidity instrument, as the case may be, issued in accordance with the terms hereof as a replacement or substitute for any Credit Enhancement or Liquidity Facility, as applicable, then in effect.

“Alternate Rate” shall mean, on any Rate Determination Date, for any Mode, a rate per annum equal to (a) the BMA Municipal Swap Index of Municipal Market Data, formerly the PSA Municipal Swap Index (as such term is defined in the 1992 ISDA U.S. Municipal Counterparty Definitions) (the “BMA Rate”) most recently available as of the date of determination, or (b) if such index is no longer available, or if the BMA Rate is no longer published, the Kenny Index (as such term is defined in the 1992 ISDA U.S. Municipal Counterparty Definitions), or if neither the BMA Rate nor the Kenny Index is published, the index determined to equal the prevailing rate determined by the Remarketing Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Bond

Market Association to determine the BMA Rate just prior to when the Bond Market Association stopped publishing the BMA Rate. The Tender Agent shall make the determinations required by this determination, upon notification from the Authority, if there is no Remarketing Agent, if the Remarketing Agent fails to make any such determination or if the Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement.

“Authorized Denominations” shall mean (i) with respect to Bonds in a Daily Mode or Weekly Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof, (ii) with respect to Bonds in a Flexible Mode, \$100,000 and any integral multiple of \$1,000 in excess thereof and (iii) with respect to Bonds in a Long-Term Mode, \$5,000 and any integral multiple thereof.

“Automatic Termination Event” shall mean an event of default set forth in the Reimbursement Agreement between the Company and the Liquidity Provider which would result in the immediate termination of the Liquidity Facility prior to its stated expiration date without at least thirty days’ prior notice from the Liquidity Provider to the Tender Agent, other than a termination upon the substitution of an Alternate Liquidity Facility.

“Available Amount” shall mean the amount available under the Credit Enhancement or Liquidity Facility, as applicable, to pay the principal of and interest on the Bonds or the Purchase Price of the Bonds, as applicable.

“Available Moneys” shall mean (i) moneys held by the Trustee (other than in the Purchase Fund) and continuously subject to a first priority lien under this Agreement for a period of at least 123 days and not commingled with any moneys so held for less than said period and during which period no petition in bankruptcy was filed by or against, and no receivership, insolvency, assignment for the benefit of creditors or other similar proceeding has been commenced by or against, the Company, unless such petition or proceeding was dismissed and all applicable appeal periods have expired without an appeal having been filed, (ii) investment income derived from the investment of moneys described in clause (i) or (iii) any moneys with respect to which an opinion of nationally recognized bankruptcy counsel has been received by the Trustee to the effect that payments by the Trustee in respect of the Bonds, as provided in this Agreement, derived from such moneys would not constitute transfers avoidable under 11 U.S.C. §547(b) and recoverable from the Owners under 11 U.S.C. §550(a) should the Company be the debtor in a case under Title 11 of the United States Code, as amended.

“Beneficial Owner” shall mean, so long as the Bonds are negotiated in the Book-Entry System, any Person who acquires a beneficial ownership interest in a Bond held by the Securities Depository. If at any time the Bonds are not held in the Book-Entry System, Beneficial Owner shall mean Owner for purposes of this Agreement.

“Book-Entry System” shall mean the system maintained by the Securities Depository described in Section 301(d) hereof.

“Credit Enhancement” shall mean a direct-pay letter of credit, insurance policy, surety bond, line of credit or other instrument then in effect which secures or guarantees the payment of principal of and interest on the Bonds.

“Credit Enhancement Failure” or “Liquidity Facility Failure” shall mean a failure of the Credit Provider or Liquidity Provider, as applicable, to pay a properly presented and conforming draw or request for advance under the Credit Enhancement or Liquidity Facility, as applicable, or the filing or commencement of any bankruptcy or insolvency proceedings by or against the Credit Provider or Liquidity Provider, as applicable, or the Credit Provider or Liquidity Provider, as applicable, shall declare a moratorium on the payment of its unsecured debt obligations or shall repudiate the Credit Enhancement or Liquidity Facility, as applicable.

“Credit Provider” shall mean any bank, insurance company, pension fund or other financial institution which provides a Credit Enhancement or Alternate Credit Enhancement for the Bonds, including the Bond Insurer.

“Current Mode” shall have the meaning specified in Section 509(a)(i) hereof.

“Daily Mode” shall mean the Mode during which the Bonds bear interest at the Daily Rate.

“Daily Rate” shall mean the per annum interest rate on any Bond in the Daily Mode determined pursuant to Section 506(a) hereof.

“Daily Rate Period” shall mean the period during which a Bond in the Daily Mode shall bear a Daily Rate, which shall be from the Business Day upon which a Daily Rate is set to but not including the next succeeding Business Day.

“Electronic Means” shall mean telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

“Expiration Date” shall mean the stated expiration date of the Credit Enhancement or the Liquidity Facility, as it may be extended from time to time as provided in the Credit Enhancement or the Liquidity Facility, or any earlier date on which the Credit Enhancement or the Liquidity Facility shall terminate, expire or be cancelled.

“Favorable Opinion of Bond Counsel” shall mean, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be a Bond Counsel, to the effect that such action is permitted under the Act and this Agreement and will not impair the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation or the exemption of interest on the Bonds from personal income taxation under the laws of New Hampshire (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

“Fitch” shall mean Fitch, Inc., and its successors and assigns, except that if such Company shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Company after consultation with the Remarketing Agent.

“Fixed Rate” shall mean the per annum interest rate on any Bond in the Fixed Rate Mode determined pursuant to Sections 507(b) hereof.

“Fixed Rate Bond” shall mean a Bond in the Fixed Rate Mode.

“Fixed Rate Mode” shall mean the Mode during which the Bonds bear interest at the Fixed Rate.

“Fixed Rate Period” shall mean for the Bonds in the Fixed Rate Mode, the period from the Mode Change Date upon which the Bonds were converted to the Fixed Rate Mode to but not including the Maturity Date for the Bonds.

“Flexible Rate Bond” shall mean a Bond in the Flexible Mode.

“Flexible Mode” shall mean the Mode during which the Bonds bear interest at the Flexible Rate.

“Flexible Rate” shall mean the per annum interest rate on a Bond in the Flexible Mode determined for such Bond pursuant to Section 505 hereof. The Bonds in the Flexible Mode may bear interest at different Flexible Rates.

“Flexible Rate Period” shall mean the period of from one to 270 calendar days (which period must end on a Business Day) during which a Flexible Rate Bond shall bear interest at a Flexible Rate, as established by the Remarketing Agent pursuant to Section 505 hereof. The Bonds in the Flexible Mode may be in different Flexible Rate Periods.

“Interest Accrual Period” shall mean the period during which a Bond accrues interest payable on the next Interest Payment Date applicable thereto. With respect to any Mode, each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid (or, if no interest has been paid in such Mode, from the date of original authentication and delivery of the Bonds, or the Mode Change Date, as the case may be) to, but not including, the Interest Payment Date on which interest is to be paid. If, at the time of authentication of any Bond, interest is in default or overdue on the Bonds, such Bond shall bear interest from the date to which interest has previously been paid in full or made available for payment in full on Outstanding Bonds.

“Interest Amount” shall mean the aggregate amount available under the Credit Enhancement or Liquidity Facility, as applicable, to pay interest accruing on the Bonds or that portion of the Purchase Price constituting interest.

“Interest Payment Date” shall mean each date on which interest is to be paid and is: (i) with respect to the Bonds in the Flexible Mode, each Mandatory Purchase Date applicable thereto; (ii) with respect to the Bonds in the Daily Mode or Weekly Mode, the first Business Day of each month; (iii) with respect to the Bonds in a Long-Term Mode, the first day of the sixth calendar month following the month in which such Long-Term Mode takes effect, and the first day of each sixth calendar month thereafter or, upon the receipt by the Trustee of a Favorable Opinion of Bond Counsel, any other six-month interval chosen by the Company (beginning with the first such day which is at least three months after the Mode Change Date) and, with respect to a Term Rate Period, or the final day of the current Interest Period if other than a regular six-month interval; (iv) (without duplication as to any Interest Payment Date listed above) any Mode Change Date, other than a change between a Daily Mode and a Weekly Mode, and each Maturity

Date; and (v) with respect to any Liquidity Provider Bonds, the day set forth in the Reimbursement Agreement.

“Interest Period” shall mean, for the Bonds in a particular Mode, the period of time that the Bonds bear interest at the rate (per annum) which becomes effective at the beginning of such period, and shall include a Flexible Rate Period, a Daily Rate Period, a Weekly Rate Period, a Term Rate Period and a Fixed Rate Period.

“Liquidity Facility” shall mean any letter of credit, line of credit, standby purchase agreement or other instrument then in effect which provides for the purchase of Bonds upon the tender thereof in the event remarketing proceeds are insufficient therefor.

“Liquidity Provider” shall mean any bank, insurance company, pension fund or other financial institution which provides a Liquidity Facility or Alternate Liquidity Facility for the Bonds.

“Liquidity Provider Bonds” shall mean any Bonds purchased by the Liquidity Provider with funds drawn on or advanced under the Liquidity Facility.

“Long-Term Mode” shall mean a Term Rate Mode or a Fixed Rate Mode.

“Mandatory Purchase Date” shall mean: (i) with respect to a Flexible Rate Bond the first Business Day following the last day of each Flexible Rate Period with respect to such Bond, (ii) for Bonds in the Term Rate Mode, on the first Business Day following the last day of each Term Rate Period, (iii) any Mode Change Date (except a change in Mode between the Daily Mode and the Weekly Mode), (iv) any Substitution Date, (v) the fifth Business Day prior to the Expiration Date (other than as a result of an Automatic Termination Event), and (vi) the date specified by the Credit Provider or Liquidity Provider in a written notice to the Trustee following the occurrence of an event of default (other than an Automatic Termination Event) under the Reimbursement Agreement, which date shall be a Business Day not less than the number of days specified in the Liquidity Facility after the Trustee’s receipt of such notice.

“Mode” shall mean, as the context may require, the Flexible Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode, the Auction Rate Mode or the Fixed Rate Mode.

“Mode Change Date” shall mean with respect to the Bonds in a particular Mode, the day on which another Mode for the Bonds begins.

“Mode Change Notice” shall mean the notice from the Company to the other Notice Parties of the Company’s intention to change the Mode with respect to the Bonds.

“New Mode” shall have the meaning specified in Section 509(a)(i) hereof.

“Notice Parties” shall mean the Authority, the Trustee, the Tender Agent, the Remarketing Agent, the Paying Agent, the Credit Provider, the Liquidity Provider and the Company.

“Opinion of Counsel” shall mean a written legal opinion from a firm of attorneys experienced in the matters to be covered in the opinion.

“Owner” shall mean the registered owner of a Bond, including the Securities Depository, if any, or its nominee.

“Principal Payment Date” shall mean any date upon which the principal amount of Bonds is due hereunder, including the maturity date, any Redemption Date, or the date the maturity of any Bond is accelerated pursuant to the terms hereof or otherwise.

“Purchase Date” shall mean (i) for a Bond in the Daily Mode or the Weekly Mode, any Business Day selected by the Beneficial Owner of said Bond pursuant to the provisions of Section 513 hereof, and (ii) any Mandatory Purchase Date.

“Purchase Fund” shall mean the fund by that name created in Section 522 hereof.

“Purchase Price” shall mean an amount equal to the principal amount of any Bonds purchased on any Purchase Date, plus, in the case of any purchase of Bonds in the Daily Mode or the Weekly Mode and Bonds purchased on a Mandatory Purchase Date that is not an Interest Payment Date, accrued interest, if any.

“Rate Determination Date” shall mean any date on which the interest rate on Bonds shall be determined, which, (i) in the case of the Flexible Mode, shall be the first day of an Interest Period; (ii) in the case of the Daily Mode, shall be each Business Day commencing with the first day (which must be a Business Day) the Bonds become subject to the Daily Mode; (iii) in the case of the initial conversion to the Weekly Mode, shall be no later than the Business Day prior to the Mode Change Date, and thereafter, shall be each Wednesday or, if Wednesday is not a Business Day, then the Business Day next preceding such Wednesday; (iv) in the case of the Term Rate Mode, shall be a Business Day no earlier than fifteen (15) Business Days and no later than the Business Day next preceding the first day of an Interest Period, as determined by the Remarketing Agent; and (v) in the case of the Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be at least one Business Day prior to the Mode Change Date.

“Rating Agencies” shall mean any of Moody’s, S&P or Fitch, which is then providing a rating on the Bonds.

“Rating Confirmation Notice” shall mean a notice from Moody’s, S&P or Fitch, as appropriate, confirming that the rating on the Bonds will not be lowered or withdrawn (other than a withdrawal of a short-term rating upon a change to a Long-Term Mode) as a result of the action proposed to be taken.

“Record Date” shall mean (i) with respect to Bonds in a Short-Term Mode, the last Business Day before an Interest Payment Date and (ii) with respect to Bonds in a Long-Term Mode, the fifteenth (15th) day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

“Redemption Date” shall mean the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms hereof.

“Redemption Price” shall mean an amount equal to the principal of and premium, if any, and accrued interest, if any, on the Bonds to be paid on the Redemption Date.

“Reimbursement Agreement” shall mean any reimbursement agreement, credit agreement, line of credit agreement, standby purchase agreement or other agreement, by and between the Credit Provider or Liquidity Provider, as applicable, and the Company.

“Remarketing Agent” shall mean Morgan Stanley & Co. Incorporated, or any other investment banking firm which may be substituted in its place as provided in Section 524 hereof.

“Remarketing Agreement” shall mean that certain Remarketing Agreement relating to the Bonds, by and between the Company and the Remarketing Agent or any similar agreement between the Company and the Remarketing Agent, as it may be amended or supplemented from time to time in accordance with its terms.

“Remarketing Proceeds Account” shall mean the account by that name created in Section 522(a) hereof.

“Short-Term Mode” shall mean the Daily Mode, the Weekly Mode or the Flexible Mode.

“Short Term Interest Period” shall mean a Daily Rate Period, a Weekly Rate Period or a Flexible Rate Period.

“Substitution Date” shall mean the date upon which an Alternate Credit Enhancement or Alternate Liquidity Facility is substituted for the Credit Enhancement or Liquidity Facility then in effect.

“Tender Agent” shall mean the commercial bank, trust company or other entity which may from time to time be appointed to serve as Tender Agent hereunder. Until such time as an alternate Tender Agent is appointed, the Tender Agent shall be the Trustee.

“Tender Notice Deadline” shall mean (i) during the Daily Mode, 11:00 A.M. on any Business Day and (ii) during the Weekly Mode, 5:00 P.M. on the Business Day seven days prior to the applicable Purchase Date.

“Tender Notice” shall mean a notice delivered by Electronic Means or in writing that states (i) the principal amount of such Bond to be purchased pursuant to Section 513 hereof, (ii) the Purchase Date on which such Bond is to be purchased, (iii) applicable payment instructions with respect to the Bonds being tendered for purchase and (iv) an irrevocable demand for such purchase.

“Term Rate” shall mean the per annum interest rate for the Bonds in the Term Rate Mode determined pursuant to Section 507(a) hereof.

“Term Rate Mode” shall mean the Mode during which the Bonds bear interest at the Term Rate.

“Term Rate Period” shall mean the period from (and including) the Mode Change Date to (but excluding) the last day of the first period that the Bonds shall be in the Term Rate Mode as established by the Company for the Bonds pursuant to Sections 509(a)(i) hereof and, thereafter, the period from (and including) the beginning date of each successive Interest Rate Period selected for the Bonds by the Company pursuant to Section 507(a) while it is in the Term Rate Mode to (but excluding) the commencement date of the next succeeding Interest Period, including another Term Rate Period. Except as otherwise provided in this Agreement, an Interest Period for the Bonds in the Term Rate Mode must be at least 180 days in length.

“Weekly Mode” shall mean the Mode during which the Bonds bear interest at the Weekly Rate.

“Weekly Rate” shall mean the per annum interest rate on the Bonds in the Weekly Mode determined pursuant to Section 506(b) hereof.

“Weekly Rate Period” shall mean the period during which a Bond in the Weekly Mode shall bear a Weekly Rate, which shall be the period commencing on Thursday of each week to and including Wednesday of the following week, except the first Weekly Rate Period which shall be from the Mode Change Date or date of initial issuance of the Bonds, as applicable, to and including the Wednesday of the following week and the last Weekly Rate Period which shall be from and including the Thursday of the week prior to the Mode Change Date to the day next preceding the Mode Change Date.

Unless otherwise provided herein, all references to a particular time are to New York City time.

Section 502. [Medium, Method and Place of Payment and Dating of Bonds.](#)

So long as the Bonds are in the Book-Entry System, interest on the Bonds shall be paid by the Paying Agent on the Interest Payment Date by wire transfer of immediately available funds to an account and by the time specified by the Securities Depository. Unless otherwise provided in any writing with or from the Securities Depository, the interest on the Bonds in a Variable Rate Mode or the Fixed Rate Mode shall be paid by the Paying Agent on the Interest Payment Dates by wire transfer of immediately available funds to an account specified by the Owner in a writing delivered to the Paying Agent. Any such specified account shall remain in effect until revised by such Owner by an instrument in writing delivered to the Paying Agent. The principal of and premium, if any, on each Bond shall be payable on the Principal Payment Date, upon surrender thereof at the office of the Paying Agent.

Except as may be specifically set forth herein, the Paying Agent, the Trustee, the Bond Insurer, the Remarketing Agent, the Company and the Authority may treat the Owner of a Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and the Paying Agent, the Trustee, the Remarketing Agent, the Company and the Authority shall not be affected by any knowledge or notice to the contrary; and payment of the principal of and premium, if any, and interest on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability of such Bond to the extent of the

sum or sums so paid. All Bonds at maturity or on earlier redemption paid pursuant to the provisions of this Section shall be cancelled by the Paying Agent.

The Bonds shall be dated as described in Section 301 and, while in a Variable Rate Mode or the Fixed Rate Mode, shall bear interest at the applicable rate or rates during each applicable Interest Accrual Period until the entire principal amount of the respective series of Bonds has been paid.

Section 503. [Payment of Principal and Interest of Bonds; Acceptance of Terms and Conditions.](#)

(a) The interest on the Bonds shall become due and payable on the Interest Payment Dates in each year to and including the respective maturity date, and on each Redemption Date and on the date of any acceleration prior thereto. The principal of the Bonds shall become due and payable on the Principal Payment Dates.

(b) By the acceptance of its Bond, the Owner and each Beneficial Owner thereof shall be deemed to have agreed to all the terms and provisions of such Bond as specified in such Bond and this Agreement including, without limitation, the applicable Interest Periods, interest rates (including any applicable Alternate Rate), Purchase Dates, Mandatory Purchase Dates, Purchase Prices, mandatory and optional purchase and redemption provisions applicable to such Bond, method and timing of purchase, redemption, payment, etc. Such Owner and each Beneficial Owner further agree that if, on any date upon which one of its Bonds is to be purchased, redeemed or paid at maturity or earlier due date, funds are on deposit with the Paying Agent or the Trustee to pay the full amount due on such Bond, then such Owner or Beneficial Owner shall have no rights under this Agreement other than to receive such full amount due with respect to such Bond and that interest on such Bond shall cease to accrue as of such date.

(c) While any Bonds are Liquidity Provider Bonds, such Bonds shall bear interest and be payable at the times and in the amounts required under the Liquidity Facility (as to which the Trustee, the Bond Insurer and the Paying Agent shall be entitled to receive and rely upon a certificate from the Liquidity Provider).

Section 504. [Calculation and Payment of Interest; Change in Mode; Maximum Rate.](#)

(a) When a Short-Term Mode is in effect, interest shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed. When a Long-Term Mode is in effect, interest shall be calculated on the basis of a 360 day year comprised of twelve 30-day months. Payment of interest on each Bond shall be made on each Interest Payment Date for such Bond for unpaid interest accrued during the Interest Accrual Period to the Owner of record of such Bond on the applicable Record Date.

(b) Bonds in any Mode, other than a Fixed Rate Mode, may be changed to any other Mode at the times and in the manner hereinafter provided. Subsequent to such change in Mode (other than a change to a Fixed Rate Mode), the Bonds may again be changed to a different Mode at the times and in the manner hereinafter provided. A Fixed Rate Mode shall be in effect

until the respective maturity date, or acceleration thereof prior to such maturity date, and may not be changed to any other Mode.

(c) No Bonds shall bear interest at an interest rate higher than the Maximum Rate.

(d) In the absence of manifest error, the determination of interest rates (including any determination of rates in connection with a New Mode) and interest periods by the Remarketing Agent and the record of interest rates maintained by the Paying Agent shall be conclusive and binding upon the Remarketing Agent, the Paying Agent, the Trustee, the Authority, the Company, the Owners and the Beneficial Owners.

Section 505. [Determination of Flexible Rates and Interest Periods During Flexible Mode.](#) An Interest Period for the Bonds in the Flexible Mode shall be of such duration of from one to 270 calendar days, ending on a Business Day or the maturity date, as the Remarketing Agent shall determine in accordance with the provisions of this Section. A Flexible Rate Bond can have an Interest Period, and bear interest at a Flexible Rate, different than another Flexible Rate Bond. In making the determinations with respect to Interest Periods, subject to limitations imposed by the second preceding sentence and in Section 504 hereof, on each Rate Determination Date for a Flexible Rate Bond, the Remarketing Agent shall select for such Bond the Interest Period which would result in the Remarketing Agent being able to remarket such Bond at par in the secondary market at the lowest average interest cost; provided, however, that if the Remarketing Agent has received notice from the Company that the Bonds are to be changed from the Flexible Mode to any other Mode, the Remarketing Agent shall select Interest Periods which do not extend beyond the resulting applicable Mandatory Purchase Date of the Bonds.

Except while the Bonds are registered in a Book-Entry System, in order to receive payment of the Purchase Price the Owner of any Bond in the Flexible Mode must present such Bond to the Paying Agent, by 12:00 noon on the Rate Determination Date, in which case, the Paying Agent shall pay the Purchase Price to such Owner by 2:30 P.M. on the same day.

By 1:00 P.M. on each Rate Determination Date, the Remarketing Agent, with respect to each Bond in the Flexible Mode which is subject to adjustment on such date, shall determine the Flexible Rate(s) for the Interest Periods then selected for such Bond and shall give notice by Electronic Means to the Paying Agent and the Company, of the Interest Period, the Purchase Date(s) and the Flexible Rate(s). The Remarketing Agent shall make the Flexible Rate and Interest Period available after 2:00 p.m. on each Rate Determination Date by telephone or Electronic Means to any Beneficial Owner or Notice Party requesting such information.

Section 506. [Determination of Interest Rates During the Daily Mode and the Weekly Mode.](#) The interest rate for the Bonds in the Daily Mode or Weekly Mode shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of the Bonds in the Daily Rate Period or Weekly Rate Period, as applicable, at a price equal to the principal amount thereof, plus interest, if any, accrued through the Rate Determination Date during the then current Interest Accrual Period.

(a) During the Daily Mode, the Remarketing Agent shall establish the Daily Rate by 10:00 A.M. on each Rate Determination Date. The Daily Rate for any day during the Daily Mode which is not a Business Day shall be the Daily Rate established on the immediately preceding Rate Determination Date. The Remarketing Agent shall make the Daily Rate available after 10:30 A.M. on each Rate Determination Date by telephone or Electronic Means to any Beneficial Owner or Notice Party requesting such rate.

(b) During the Weekly Mode, the Remarketing Agent shall establish the Weekly Rate by 4:00 P.M. on each Rate Determination Date. The Weekly Rate shall be in effect during the applicable Weekly Rate Period. The Remarketing Agent shall make the Weekly Rate available after 5:00 P.M. on the Rate Determination Date by telephone or Electronic Means to any Beneficial Owner or Notice Party requesting such rate.

Section 507. [Determination of Term Rates and Fixed Rates.](#)

(a) [Term Rates.](#) Except as provided in the immediately succeeding paragraph, once the Bonds are changed to the Term Rate Mode, the Bonds shall continue in the Term Rate Mode until changed to another Mode in accordance with Section 509 hereof. The Term Rate shall be determined by the Remarketing Agent not later than 4:00 P.M. on the Rate Determination Date, and the Remarketing Agent shall make the Term Rate available by telephone or by Electronic Means to any Notice Party requesting such rate after 5:00 p.m. on the Rate Determination Date. The Term Rate shall be the minimum rate which, in the sole judgment of the Remarketing Agent, would result in a sale of the Bonds at a price equal to the principal amount thereof on the Rate Determination Date for the Interest Period selected by the Company in writing delivered to the Remarketing Agent before such Rate Determination Date. If a new Interest Period is not selected by the Company prior to a Rate Determination Date (for a reason other than a court prohibiting such selection), the new Interest Period shall be the same length as the current Interest Period (or such lesser period as shall be necessary to comply with the last sentence of this paragraph). No Interest Period in the Term Rate Mode may extend beyond the applicable Maturity Date.

(b) [Fixed Rates.](#) The Remarketing Agent shall determine the Fixed Rate for the Bonds being converted to the Fixed Rate Mode in the manner and at the times as follows: not later than 4:00 P.M. on the applicable Rate Determination Date, the Remarketing Agent shall determine the Fixed Rate. The Fixed Rate shall be the minimum interest rate which, in the sole judgment of the Remarketing Agent, will result in a sale of the Bonds at a price equal to the principal amount thereof on the Rate Determination Date. The Remarketing Agent shall make the Fixed Rate available by telephone or by Electronic Means after 5:00 p.m. on the Rate Determination Date to any Notice Party requesting such Fixed Rate. The Fixed Rate so established shall remain in effect until the Maturity Date of such Bonds.

Section 508. [Alternate Rates.](#) The following provisions shall apply in the event (i) the Remarketing Agent fails or is unable to determine the interest rate or Interest Period for the Bonds, (ii) the method by which the Remarketing Agent determines the interest rate or Interest Period with respect to the Bonds (or the selection by the Company of the Interest Periods for Bonds in the Term Rate Mode) shall be held to be unenforceable by a court of law of competent jurisdiction or (iii) if the Remarketing Agent suspends its remarketing effort in accordance with

the Remarketing Agreement. These provisions shall continue to apply until such time as the Remarketing Agent (or the Company if applicable) again makes such determinations. In the case of clause (ii) above, the Remarketing Agent (or the Company, if applicable) shall again make such determination at such time as there is delivered to the Remarketing Agent and the Authority an opinion of Bond Counsel to the effect that there are no longer any legal prohibitions against such determinations. The following shall be the methods by which the interest rates and, in the case of the Flexible and Term Rate Modes, the Interest Periods, shall be determined for the Bonds as to which either of the events described in clauses (i), (ii) or (iii) shall be applicable. Such methods shall be applicable from and after the date either of the events described in clauses (i), (ii) or (iii) first become applicable to the Bonds until such time as the events described in clauses (i), (ii) or (iii) are no longer applicable to the Bonds. These provisions shall not apply if the Company fails to select an Interest Period for the Bonds in the Term Rate Mode for a reason other than as described in clause (ii) above.

(a) For Flexible Rate Bonds, the next Interest Period shall be from, and including, the first day following the last day of the current Interest Period for the Bonds to, but excluding, the next succeeding Business Day and thereafter shall commence on each Business Day and extend to, but exclude, the next succeeding Business Day. For each such Interest Period, the interest rate for the Bonds shall be the applicable Alternate Rate in effect on the Business Day that begins an Interest Period.

(b) If the Bonds are in the Daily Mode or the Weekly Mode, then the Bonds shall bear interest during each subsequent Interest Period at the Alternate Rate in effect on the first day of such Interest Period.

(c) If the Bonds are then in the Term Rate Mode, then the Bonds shall automatically convert to Flexible Rate Bonds, with an Interest Period commencing on the first day following the last day of the current Interest Period for the Bonds to, but excluding, the next succeeding Business Day and thereafter shall commence on each Business Day and extend to, but exclude, the next succeeding Business Day. For each such Interest Period, the interest rate for the Bonds shall be the applicable Alternate Rate in effect at the beginning of each such Interest Period.

Section 509. [Changes in Mode](#). Subject to the provisions of this Section, the Company may effect a change in Mode of the Bonds by following the procedures set forth in this Section; provided that the Company's right to effect a change in Mode of any series of Bonds shall terminate on the date of defeasance pursuant to Section 204. If a change in Mode will make the Bonds subject to Rule 15c2-12 promulgated under the Securities Act of 1934, as amended, the Company will execute a continuing disclosure undertaking satisfying the requirements of such Rule and shall cooperate with the Remarketing Agent and any Underwriter (as defined in such Rule) in satisfying the requirements of such Rule.

(a) [Changes to Modes Other Than Fixed Rate Mode](#). With the prior written consent of the Bond Insurer, the Bonds (other than Bonds in the Fixed Rate Mode) may be changed from a Variable Rate Mode to another Mode (other than the Fixed Rate Mode) as follows:

(i) [Mode Change Notice; Notice to Owners](#). No later than a Business Day which is at least 30 days (or such shorter time as may be agreed to by the Authority, the

Company, the Trustee, the Tender Agent and the Remarketing Agent) preceding the proposed Mode Change Date, the Company shall give written notice to the Notice Parties of its intention to effect a change in the Mode from the Mode then prevailing (for purposes of this Section, the “Current Mode”) to another Mode (for purposes of this Section, the “New Mode”) specified in such written notice, and, if the change is to a Term Rate Mode, the length of the initial Interest Period as set by the Company, and, if the change is to the Auction Rate Mode, the length of the Auction Period. In the case of a change to a Term Rate Mode or from one Term Rate Mode to another Term Rate Mode, such notice to the Notice Parties shall also include a statement as to whether there will be a Liquidity Facility and/or Credit Enhancement in effect with respect to the Bonds following such change and the identity of any provider of such Liquidity Facility and/or Credit Enhancement. Notice of the proposed change in Mode shall be given by the Tender Agent to the Owners of the Bonds not less than the 15th day next preceding the Mode Change Date. Such notice shall state: (1) the Mode to which the conversion will be made and the Mode Change Date; (2) except in the case of a change from the Daily Mode to the Weekly Mode or from the Weekly Mode to the Daily Mode, that the Bonds will be subject to mandatory tender for purchase on the Mode Change Date and the Purchase Price of the Bonds; and (3) if the Book-Entry System is no longer in effect, information with respect to required delivery of Bond certificates and payment of Purchase Price.

(ii) Determination of Interest Rates. The New Mode shall commence on the Mode Change Date and the interest rate(s) (together, in the case of a change to the Flexible Mode, with the Interest Period(s)) shall be determined by the Remarketing Agent (or the Company in the case of the Interest Period for the Bonds converted to the Term Rate Mode) in the manner provided in Sections 505, 506 and 507 and in Article IV hereof, as applicable.

(iii) Conditions Precedent:

(A) The Mode Change Date shall be:

(1) in the case of a change from the Flexible Mode, the next Mandatory Purchase Date for the Flexible Rate Bonds;

(2) in the case of a change from the Daily or Weekly Mode, any Business Day; and

(3) in the case of a change from the Term Rate Mode to another Mode, or from a Term Rate Period to a Term Rate Period of a different duration, the Mode Change Date shall be limited to any Interest Payment Date on which the Bonds are subject to optional redemption or to the last Interest Payment Date of the current Term Rate Period, as the case may be. Such Bonds shall be purchased on such Mode Change Date at a Purchase Price equal to 100% of the principal amount thereof, provided that if such Bonds are to be purchased on an Interest Payment Date other than the last Interest Payment Date and would otherwise be subject to optional redemption on such Mode Change Date at a Redemption Price of more than

100% of the principal amount thereof, such Bonds shall be purchased at a Purchase Price equal to such Redemption Price.

(B) If the Bonds to be converted are in the Flexible Mode, no Interest Period set after delivery by the Company to the Remarketing Agent of the notice of the intention to effect a change in Mode shall extend beyond the proposed Mode Change Date.

(C) The following items shall have been delivered to the Trustee, the Paying Agent and the Remarketing Agent on or prior to the Mode Change Date:

(1) in the case of a change from a Short-Term Mode to a Long-Term Mode or from a Long-Term Mode to a Short-Term Mode or the Auction Rate Mode, a Favorable Opinion of Bond Counsel dated the Mode Change Date and addressed to the Notice Parties;

(2) if there is to be an Alternate Liquidity Facility or Alternate Credit Enhancement delivered in connection with such change, the items required by Section 521(d) hereof;

(3) a Rating Confirmation Notice, or if the Mode Change Date is a Mandatory Purchase Date, a notice from the Rating Agencies of the rating(s) to be assigned the Bonds on such Mode Change Date; and

(4) written consent from the Bond Insurer.

(b) Change to Fixed Rate Mode. At the option of the Company and with the prior written consent of the Bond Insurer, the Bonds may be changed to the Fixed Rate Mode as provided in this Section 509(b). On any Business Day which is at least 30 days (or such shorter time as may be agreed to by the Authority, the Company, the Trustee and the Remarketing Agent, but in any event not less than the 15th day next preceding the Mode Change Date) before the proposed Mode Change Date, the Company shall give written notice to the Notice Parties stating that the Mode will be changed to the Fixed Rate Mode and setting forth the proposed Mode Change Date. Such notice shall also state whether or not there shall be Credit Enhancement with respect to the Bonds following such change and, if so, the identity of the Credit Provider. Any such change in Mode shall be made as follows:

(i) Mode Change Date. The Mode Change Date shall be:

(A) in the case of a change from the Flexible Mode, the next Mandatory Purchase Date for the Flexible Rate Bonds;

(B) in the case of a change from the Daily or Weekly Mode, any Business Day; and

(C) in the case of a change from the Term Rate Mode, the Mode Change Date shall be limited to any Interest Payment Date on which the Bonds are subject to optional redemption or to the next Mandatory Purchase Date for the Term Rate Bonds, as the case may be. Such Bonds shall be purchased on such Mode Change Date at a Purchase Price

equal to 100% of the principal amount thereof, provided that if such Bonds would otherwise be subject to optional redemption on such Mode Change Date at a Redemption Price of more than 100% of the principal amount thereof, such Bonds shall be purchased at a Purchase Price equal to such Redemption Price.

(ii) Notice to Owners. Not less than the 15th day next preceding the Mode Change Date, the Paying Agent shall mail, in the name of the Company, a notice of such proposed change to the Owners of the Bonds stating that the Mode will be changed to the Fixed Rate Mode, the proposed Mode Change Date and that such Owner is required to tender such Owner's Bonds for purchase on such proposed Mode Change Date.

(iii) General Provisions Applying to Change to Fixed Rate Mode. The change to the Fixed Rate Mode shall not occur unless the following items shall have been delivered to the Authority, the Company, the Trustee and the Remarketing Agent on or prior to the Mode Change Date:

(A) a Favorable Opinion of Bond Counsel dated the Mode Change Date and addressed to the Authority, the Company, the Trustee, the Bond Insurer and the Remarketing Agent;

(B) if there is to be Credit Enhancement delivered in connection with such change, the items required by Section 521(d) hereof in connection with the delivery of an Alternate Credit Enhancement, and

(C) notice from the Rating Agencies of the rating(s) to be assigned the Bonds on such Mode Change Date.

(iv) Determination of Interest Rate. The Fixed Rate for the Bonds to be converted to the Fixed Rate Mode shall be established by the Remarketing Agent on the Rate Determination Date applicable thereto pursuant to the provisions of Section 507(b). Such Rate shall remain in effect until the maturity date of the Bonds.

(v) Redemption Terms. Upon conversion of the Bonds to the Fixed Rate Mode, the Bonds shall be remarketed at par, shall mature on the same maturity date and be subject to the same mandatory and optional redemption provisions as set forth in this Agreement for any prior Mode; provided, however, that if the Company shall deliver to the Trustee a Favorable Opinion of Bond Counsel, the Company may elect to (1) change the optional redemption dates and/or premiums set forth in Section 512(b) hereof, and/or (2) sell some or all of the Bonds at a premium or a discount to par.

(c) Failure to Satisfy Conditions Precedent to a Mode Change. In the event the conditions described above in subsections (a) or (b), as applicable, of this Section have not been satisfied by the applicable Mode Change Date, then the New Mode shall not take effect (although any mandatory tender shall be made on such date if notice has been sent to the Owners stating that such Bonds would be subject to mandatory purchase on such date). If the failed change in Mode was from the Flexible Mode, the Bonds shall remain in the Flexible Mode with interest rates and Interest Periods to be established by the Remarketing Agent on the failed Mode Change Date in accordance with Section 505 hereof. If the failed change in Mode was from the

Daily Mode, the Bonds shall remain in the Daily Mode, and if the failed change in Mode was from the Weekly Mode, the Bonds shall remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of Section 506 hereof on and as of the failed Mode Change Date. If the failed change in Mode was from the Term Rate Mode, then the Bonds shall stay in the Term Rate Mode for an Interest Period ending on the following Interest Payment Date for the Bonds in the Term Rate Mode and the interest rate shall be established by the Remarketing Agent on the failed Mode Change Date in accordance with Section 507(a) hereof.

(d) [Recission of Election](#). Notwithstanding anything herein to the contrary, the Company may rescind any election by it to change a Mode as described above prior to the Mode Change Date by giving written notice thereof to the Notice Parties prior to such Mode Change Date. If the Tender Agent receives notice of such rescission prior to the time the Tender Agent has given notice to the holders of the Bonds, then such notice of change in Mode shall be of no force and effect. If the Tender Agent receives notice from the Company of rescission of a Mode change after the Tender Agent has given notice thereof to the holders of the Bonds, then if the proposed Mode Change Date would have been a Mandatory Purchase Date, such date shall continue to be a Mandatory Purchase Date. If the proposed change in Mode was from the Flexible Mode, the Bonds shall remain in the Flexible Mode with interest rates and Interest Periods to be established by the Remarketing Agent on the proposed Mode Change Date in accordance with Section 505 hereof. If the proposed change in Mode was from the Daily Mode, the Bonds shall remain in the Daily Mode, and if the proposed change in Mode was from the Weekly Mode, the Bonds shall remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of Section 506 hereof on and as of the proposed Mode Change Date. If the proposed change in Mode was from the Term Rate Mode, then the Bonds shall stay in the Term Rate Mode for an Interest Period ending on the following Interest Payment Date for the Bonds in the Term Rate Mode and the interest rate shall be established by the Remarketing Agent on the proposed Mode Change Date in accordance with Section 507(a) hereof. If the Remarketing Agent is unable to determine the interest rate on the proposed Mode Change Date, the provisions of Section 508 shall apply.

Section 510. [Optional Redemption of Flexible Rate Bonds](#). Bonds in the Flexible Mode are not subject to optional redemption prior to their respective Purchase Dates. Bonds in the Flexible Mode shall be subject to redemption at the option of the Company in whole or in part on their respective Purchase Dates at a redemption price equal to the principal amount thereof.

Section 511. [Optional Redemption of Bonds in the Daily Mode or the Weekly Mode](#). Bonds in the Daily Mode or the Weekly Mode are subject to optional redemption by the Company, in whole or in part, in Authorized Denominations on any date, at a redemption price equal to the principal amount thereof, plus, accrued interest, if any, from the end of the preceding Interest Accrual Period to the Redemption Date.

Section 512. [Optional Redemption of Bonds in the Term Rate or the Fixed Rate Mode](#).

(a) Bonds in a Term Rate Mode shall be subject to redemption, in whole or in part, on their individual Mandatory Purchase Dates, at the option of the Company at a redemption price equal to the principal amount thereof.

(b) Bonds in the Term Rate Mode or Fixed Rate Mode are subject to redemption in whole on any date or in part on any Interest Payment Date (and if in part by lot or by such other method as the Paying Agent determines to be fair and reasonable and in Authorized Denominations) at the redemption prices set forth below, together with accrued interest, if any, to the redemption date:

LENGTH OF LONG-TERM INTEREST RATE PERIOD	COMMENCEMENT OF REDEMPTION PERIOD	REDEMPTION PRICE
Greater than or equal to 15 years	Tenth anniversary of the commencement of Long-Term Interest Rate Period	102%, declining by 1.0% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter at 100%
Less than 15 years and greater than or equal to 10 years	Seventh anniversary of the commencement of Long-Term Interest Rate Period	102%, declining by 1.0% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter at 100%
Less than 10 years and greater than or equal to 5 years	Third anniversary of the commencement of Long-Term Interest Rate Period	101%, declining by 1.0% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter at 100%
Less than 5 years	Bonds not subject to optional redemption	

(c) The Company, in connection with a change to a Long-Term Mode, may waive or otherwise alter its rights to direct the redemption of any such Bonds so changed to a Long-Term Mode at any time without premium; provided that notice describing the waiver or alteration shall be submitted to the Paying Agent, the Trustee and the Remarketing Agent, together with a Favorable Opinion of Bond Counsel, addressed to them.

(d) If a Credit Enhancement is then in effect and the Redemption Price includes any premium, the right of the Company to direct an optional redemption is subject to the condition that the Trustee has received, prior to the date on which notice of redemption is required to be given to Owners, either Available Moneys of the Company sufficient to cover the premium due on the Redemption Date or written confirmation from the Credit Provider that it can draw under the Credit Enhancement on the proposed redemption date in an aggregate amount sufficient to cover the principal of and premium and interest due on the Redemption Date.

Section 513. [Optional Tenders of Bonds in the Daily Mode or the Weekly Mode.](#) Subject to Section 518 hereof, the Beneficial Owners of Bonds in a Daily Mode or a Weekly Mode may elect to have their Bonds (or portions of those Bonds in amounts equal to an Authorized Denominations) purchased on any Business Day at a price equal to the Purchase Price, upon delivery of a Tender Notice by the Tender Notice Deadline.

Section 514. [Mandatory Purchase on Mandatory Purchase Date.](#) The Bonds shall be subject to mandatory purchase on each Mandatory Purchase Date. The Tender Agent shall give notice of such mandatory purchase by mail to the Owners of the Bonds subject to mandatory purchase (a) no less than thirty (30) days prior to the Mandatory Purchase Date in the case of a mandatory purchase (i) at the end of an Interest Period for Bonds in a Term-Rate Mode or (ii) on a Substitution Date; (b) no less than 15 days prior to the Mandatory Purchase Date in the case of a mandatory purchase on a Mode Change Date; and (c) no less than the number of days specified in the Liquidity Facility prior to the Mandatory Purchase Date (i) following notice from the Credit Provider or Liquidity Provider of an event of default under the Reimbursement Agreement or (ii) immediately preceding any Expiration Date. No notice shall be given of the Mandatory Purchase Date at the end of each Interest Period for Flexible Rate Bonds. Any notice shall state the Mandatory Purchase Date, the Purchase Price, the numbers of the Bonds to be purchased if less than all of the Bonds owned by such Owner are to be purchased, and that interest on Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Owner or Beneficial Owner.

Section 515. [Remarketing of Bonds; Notices.](#)

(a) [Remarketing of Bonds.](#) The Remarketing Agent shall use its best efforts to offer for sale:

(i) all Bonds or portions thereof as to which notice of tender pursuant to Section 513 hereof has been given; and

(ii) all Bonds required to be purchased on a Mandatory Purchase Date described in clauses (i), (ii) or (iii) of the definition thereof; and

(iii) any Liquidity Provider Bonds (A) purchased on a Purchase Date described in clause (i) or (ii) above, (B) with respect to which the Liquidity Provider has provided notice to the Trustee and the Remarketing Agent that it is ready to reinstate the Available Amount, (C) with respect to which an Alternate Liquidity Facility and Alternate Credit Enhancement are in effect (if such funds were secured by a Credit Enhancement prior to becoming Liquidity Provider Bonds which Credit Enhancement is no longer in effect), or (D) which are being marketed as Fixed Rate Bonds.

(b) [Notice of Remarketing; Registration Instructions; New Bonds.](#) On each date on which a Bond is to be purchased:

(i) the Remarketing Agent shall notify by Electronic Means the Tender Agent by 12:00 noon if it has been unable to remarket any tendered Bonds, and shall include in such notice the principal amount of Bonds it has been unable to remarket;

(ii) unless the Remarketing Agent has delivered the notice described in clause (i) above, the Remarketing Agent shall notify the Tender Agent by Electronic Means not later than 1:00 P.M. of the names of the purchasers of the remarketed Bonds and such information as may be necessary to register the Bonds and the registration instructions (i.e., the names, addresses and taxpayer identification numbers of the purchasers and the desired Authorized Denominations) with respect thereto; and

(iii) if the Bonds are no longer in the Book-Entry System, the Tender Agent shall authenticate new Bonds for the respective purchasers thereof which shall be available for pick-up by the Remarketing Agent not later than 2:30 P.M.

(c) Draw on Liquidity Facility. On each date on which a Bond is to be purchased, if the Remarketing Agent shall have given notice to the Tender Agent pursuant to clause (b)(i) above that it has been unable to remarket any of the Bonds, the Tender Agent shall direct the Trustee (if the two are separate entities) to draw on the Liquidity Facility (or if there is no Liquidity Facility or the Liquidity Facility is unavailable to honor such draw, request funds from the Company) by 12:30 P.M. in an amount equal to the Purchase Price of all such Bonds which have not been successfully remarketed.

Section 516. Source of Funds for Purchase of Bonds. By the close of business on the date on which a Bond is to be purchased, and except as set forth in Section 518(b)(ii) hereof, the Tender Agent shall purchase tendered Bonds from the tendering Owners at the applicable Purchase Price by wire transfer in immediately available funds. Funds for the payment of such Purchase Price shall be derived solely from the following sources in the order of priority indicated and none of the Tender Agent, the Trustee nor the Remarketing Agent shall be obligated to provide funds from any other source:

- (a) immediately available funds on deposit in the Remarketing Proceeds Account;
- (b) immediately available funds on deposit in the Liquidity Facility Purchase Account;
- (c) Available Moneys of the Company; and
- (d) Other moneys of the Company.

Section 517. Delivery of Bonds. On each date on which a Bond is to be purchased, such Bond shall be delivered as follows:

- (a) Bonds sold by the Remarketing Agent and described in Section 516(a) hereof shall be delivered by the Remarketing Agent to the purchasers of such Bonds by 3:00 P.M.; and

(b) Bonds purchased by the Tender Agent with moneys described in Section 516(b) hereof shall be registered immediately in the name of the Liquidity Provider or its nominee (which may be the Securities Depository) on or before 3:00 P.M.

(c) Bonds purchased by the Company with moneys described in Section 516(c) or (d) hereof shall be registered immediately in the name of the Company or its nominee on or before 3:00 P.M. Bonds so owned by the Company shall continue to be outstanding under the terms of this Agreement and be subject to all of the terms and conditions of this Agreement and shall be subject to remarketing by the Remarketing Agent.

Section 518. [Book-Entry Tenders.](#)

(a) Notwithstanding any other provision of this Article V to the contrary, all tenders for purchase during any period in which the Bonds are registered in the name of Cede & Co. (or the nominee of any successor Securities Depository) shall be subject to the terms and conditions set forth in the Representation Letter and to any regulations promulgated by DTC (or any successor Securities Depository). For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, the tender option rights of Holders of Bonds may be exercised only by a Direct Participant of DTC acting, directly or indirectly, on behalf of a Beneficial Owner of Bonds by giving notice of its election to tender Bonds or portions thereof at the times and in the manner described above. Beneficial Owners will not have any rights to tender Bonds directly to the Tender Agent. Procedures under which a Beneficial Owner may direct a Direct Participant or DTC, or an Indirect Participant of DTC acting through a Direct Participant of DTC, to exercise a tender option right in respect of Bonds or portions thereof in an amount equal to all or a portion of such Beneficial Owner's beneficial ownership interest therein shall be governed by standing instructions and customary practices determined by such Direct Participant or Indirect Participant. For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, delivery of Bonds required to be tendered for purchase shall be effected by the transfer by a Direct Participant on the applicable Purchase Date of a book-entry credit to the account of the Tender Agent of a beneficial interest in such Bonds.

(b) Notwithstanding anything expressed or implied herein to the contrary, so long as the Book-Entry System for the Bonds is maintained:

(i) there shall be no requirement of physical delivery to or by the Tender Agent, the Remarketing Agent or the Trustee of:

(A) any Bonds subject to mandatory or optional purchase as a condition to the payment of the Purchase Price therefor;

(B) any Bonds that have become Liquidity Provider Bonds; or

(C) any remarketing proceeds of such Bonds or Liquidity Provider Bonds; and

(ii) except as provided in (iii) below, none of the Trustee, the Tender Agent nor the Paying Agent shall have any responsibility for paying the Purchase Price of any tendered Bond or for remitting remarketing proceeds to any person; and

(iii) the Trustee's sole responsibilities in connection with the purchase and remarketing of a tendered Bond shall be to:

(A) draw upon the Liquidity Facility in the event the Remarketing Agent notifies the Tender Agent as provided herein that such Bond has not been remarketed on or before the Purchase Date therefor, which draw shall be in an amount equal to the difference between such Purchase Price and any remarketing proceeds received by Remarketing Agent in connection with a partial remarketing of such Bond, and to remit the amount so drawn to or upon the order of the Securities Depository for the benefit of the tendering Beneficial Owners; and

(B) remit any proceeds derived from the remarketing of a Liquidity Provider Bond to the Liquidity Provider.

Section 519. No Book-Entry System. If at any time the Bonds shall no longer be in the Book-Entry System, the following procedures shall be followed:

(a) Bonds shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Purchase Date at the office of the Paying Agent in New York, New York; provided, however, that payment of the Purchase Price shall be made pursuant to this Section only if the Bond so delivered to the Paying Agent conforms in all respects to the description thereof in the notice described in this Section. Payment of the Purchase Price with respect to purchases under this Section shall be made to the Owners of tendered Bonds by wire transfer in immediately available funds by the Paying Agent by 3:00 P.M. on the Purchase Date.

(b) If a Bond to be purchased is not delivered by the Owner to the Paying Agent by 12:00 noon on the date on which such Bond is to be purchased, the Paying Agent shall hold any funds received for the purchase of those Bonds in trust in a separate account and shall pay such funds to the former Owners of the Bonds upon presentation of the Bonds. Such undelivered Bonds shall cease to accrue interest as to the former Owners on such purchase date and moneys representing the Purchase Price shall be available against delivery of those Bonds at the Principal Office of the Paying Agent; provided, however, that any funds which shall be so held by the Paying Agent and which remain unclaimed by the former Owner of a Bond not presented for purchase for a period of three years after delivery of such funds to the Paying Agent, shall, to the extent permitted by law, upon request in writing by the Company and the furnishing of security or indemnity to the Paying Agent's satisfaction, be paid to the Company free of any trust or lien and thereafter the former Owner of such Bond shall look only to the Company as an unsecured creditor and then only to the extent of the amounts so received by the Company without any interest thereon and the Paying Agent shall have no further responsibility with respect to such moneys or payment of the purchase price of such Bonds. The Paying Agent shall authenticate a replacement Bond for any undelivered Bond which may then be remarketed by the Remarketing Agent.

(c) The Paying Agent shall hold all Bonds properly tendered to it for purchase hereunder as agent and bailee of, and in escrow for the benefit of, the respective Owners of the Bonds which shall have so tendered such Bonds until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Owners.

Section 520. [No Purchases or Sales After Credit Provider or Liquidity Provider Failure.](#) Anything in this Agreement to the contrary notwithstanding, if there shall have occurred and be continuing either a Credit Enhancement Failure or a Liquidity Facility Failure, the Remarketing Agent shall not remarket any Bonds. All other provisions of this Agreement, including without limitation, those relating to the setting of interest rates and Interest Periods and mandatory and optional purchases, shall remain in full force and effect during the continuance of such Credit Enhancement Failure or Liquidity Facility Failure, as the case may be.

Section 521. [Credit Enhancement and Liquidity Facility.](#)

(a) While any Credit Enhancement is in effect with respect to any Bonds, the Trustee shall, on the Business Day preceding each Interest Payment Date and Principal Payment Date, before 4:00 P.M. on such day, draw on the Credit Enhancement in accordance with the terms thereof so as to receive thereunder with respect to Bonds covered by the Credit Enhancement by 1:00 P.M. on said Interest Payment Date and Principal Payment Date, an amount, in immediately available funds, equal to the amount of interest and principal payable on such Bonds on such Interest Payment Date and Principal Payment Date. The proceeds of such draws shall be deposited in an account dedicated to such purpose.

(b) On each date on which a Bond is to be purchased, the Trustee, at the direction of the Tender Agent as provided in Section 515(c) hereof, by demand given by Electronic Means before 12:30 P.M., shall draw on the Liquidity Facility in accordance with the terms thereof so as to receive thereunder by 2:30 P.M. on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of Bonds on such date, to enable the Tender Agent to pay the Purchase Price in connection therewith. The proceeds of such draw shall be paid to the Tender Agent, who shall deposit said proceeds in the Liquidity Facility Purchase Account pursuant to Section 522(b) hereof.

(c) Notwithstanding the foregoing paragraphs of this Section, if the Credit Provider and the Liquidity Provider are the same entity, the Trustee shall not draw on the Credit Enhancement with respect to any payments due or made in connection with Liquidity Provider Bonds. In no event shall the Trustee draw on the Credit Enhancement with respect to any payments made or made in connection with Bonds not covered by the Credit Enhancement or Bonds owned by the Company.

(d) If at any time there shall have been delivered to the Trustee (i) an Alternate Credit Enhancement or an Alternate Liquidity Facility in substitution for the Credit Enhancement or Liquidity Facility then in effect, (ii) a Favorable Opinion of Bond Counsel, (iii) a written Opinion of Counsel for the provider of the Alternate Credit Enhancement or Alternate Liquidity Facility, as applicable, to the effect that such Alternate Credit Enhancement or Alternate Liquidity Facility is a valid, legal and binding obligation of the provider thereof (subject to customary exceptions), and (iv) unless waived by such entity, written evidence satisfactory to the Credit Provider and the Liquidity Provider of the provision for purchase from the Liquidity Provider of all Liquidity Provider Bonds, at a price equal to the principal amount thereof plus accrued and unpaid interest, and payment of all amounts due to the Credit Provider and the Liquidity Provider under the Reimbursement Agreement(s) on or before the effective date of such Alternate Letter of Credit or Alternate Liquidity Facility, then the Trustee shall accept such

Alternate Letter of Credit or Alternate Liquidity Facility on the Substitution Date and shall surrender the Credit Enhancement or Liquidity Facility then in effect to the provider thereof on the Substitution Date. The Company shall give the Notice Parties written notice of the proposed substitution of an Alternate Credit Enhancement or Alternate Liquidity Facility no less than thirty (30) days prior to the proposed Substitution Date. The Trustee shall give notice of such proposed substitution by mail to the Beneficial Owners of the Bonds as identified by the Remarketing Agent and to the registered owners (subject to procedures of the Securities Depository) no less than fifteen (15) days prior to the proposed Substitution Date.

Section 522. [Purchase Fund](#). There is hereby established and there shall be maintained with the Tender Agent, as agent for the Trustee, a separate fund to be known as the “Purchase Fund.” The Tender Agent shall further establish separate accounts within the Purchase Fund to be known as the “Liquidity Facility Purchase Account” and the “Remarketing Proceeds Account” and the “Company Purchase Account.”

(a) [Remarketing Proceeds Account](#). Upon receipt of the proceeds of a remarketing of a Bond on the date such bond is to be purchased, the Tender Agent shall deposit such proceeds in the Remarketing Proceeds Account for application to the Purchase Price of the Bonds. Notwithstanding the foregoing, upon the receipt of the proceeds of a remarketing of Liquidity Provider Bonds, the Tender Agent shall immediately pay such proceeds to the Liquidity Provider to the extent of any amount owing to the Liquidity Provider.

(b) [Liquidity Facility Purchase Account](#). Upon receipt from the Trustee of the immediately available funds transferred to the Tender Agent pursuant to Section 521(b) hereof, the Tender Agent shall deposit such money in the Liquidity Facility Purchase Account for application to the Purchase Price of the Bonds to the extent that the moneys on deposit in the Remarketing Proceeds Account shall not be sufficient. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to the Purchase Price for any Bonds shall be immediately returned to the Liquidity Provider.

(c) [Company Purchase Account](#). Upon receipt of Funds from the Company pursuant to Section 516(c) or (d) hereof, the Tender Agent shall deposit such Funds in the Company Purchase Account for application to the Purchase Price of the Bonds. Any amounts deposited in the Company Purchase Account and not needed with respect to the Purchase Price for any Bonds shall be immediately refunded to the Company.

(d) [Investment](#). Amounts held in the Liquidity Facility Purchase Account and the Remarketing Proceeds Account by the Paying Agent shall be held uninvested and separate and apart from all other funds and accounts.

Section 523. [Inadequate Funds for Tenders](#). If sufficient funds are not available for the purchase of all tendered Bonds required to be purchased on any Purchase Date, the Trustee shall take all actions reasonably available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient funds from the Liquidity Provider or the Company to purchase all such Bonds on or before 12:00 noon, New York City time, on the Business Day next succeeding such Purchase Date. Thereafter, the Trustee shall continue to take all such action reasonably available to it to obtain such remarketing proceeds from the Remarketing Agent and such funds from the

Liquidity Provider or the Company. Any obligations of the Remarketing Agent, the Credit Provider or the Company to cause the deposit of such funds from remarketing proceeds, proceeds of the Credit Enhancement or other amounts, respectively, shall remain enforceable pursuant to this Agreement, and such obligation shall only be discharged at such time as funds are deposited with the Trustee in an amount sufficient to purchase all such Bonds, together with any interest which has accrued on such Bonds to the subsequent actual purchase date.

Section 524. [Appointment of Remarketing Agent.](#)

(a) The Remarketing Agent is hereby appointed to remarket Bonds pursuant to this Agreement, and to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Notice Parties at all reasonable times. The Remarketing Agent shall act as such under the Remarketing Agreement.

(b) The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Agreement by giving at least ten (10) days' notice to the Notice Parties. The Remarketing Agent may suspend its remarketing efforts as set forth in the Remarketing Agreement. The Remarketing Agent may be removed at any time, at the direction of the Company, by an instrument filed with the Remarketing Agent, the Trustee and the Paying Agent and upon at least ten (10) days' notice to the Remarketing Agent. Any successor Remarketing Agent shall be selected by the Company, and shall be a member of the National Association of Securities Dealers, Inc., shall have a capitalization of at least fifteen million dollars (\$15,000,000), shall be authorized by law to perform all the duties set forth in this Agreement and shall be reasonably acceptable to the Credit Provider and Liquidity Provider. The Company's delivery to the Trustee of a certificate setting forth the effective date of the appointment of a successor Remarketing Agent and the name of such successor shall be conclusive evidence that (i) if applicable, the predecessor Remarketing Agent has been removed in accordance with the provisions of this Agreement and (ii) such successor has been appointed and is qualified to act as Remarketing Agent under the terms of this Agreement.

(c) If the Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all of its assets (or, in the case of a bank, national banking association or trust company, its corporate assets) to, another Company, the resulting, surviving or transferee Company without any further act shall be the successor Remarketing Agent.

ARTICLE VI. [THE PROJECT](#)

Section 601. [Company not to Impair Tax Status; Use of Project Facilities.](#)

Notwithstanding any provision herein to the contrary, the Company did not use any of the proceeds of the 1989 Bonds, the 1991 Series C Bonds or the Loan (or the income earned through the investment thereof, if any) and did not take or omit any action or permit any action to be taken or omitted with the result that interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes. The use of the Project Facilities (or facilities replacing the same) is in furtherance of the purpose of air or water pollution control or sewage or solid waste disposal and in compliance with the Act.

Section 602. [Qualification of Project Facilities](#). Notwithstanding any provision herein to the contrary, the Company did not permit the Project Facilities to fail to qualify as (a) “industrial facilities” under the Act, and (b) a facility described in Section 1312(a) of the Tax Reform Act of 1986, or (c) “sewage or solid waste disposal facilities” or “air or water pollution control facilities” within the meaning of Section 103(b)(4)(E) or (F) of the 1954 Code. The Company acknowledges that it is not relying on any representation of any kind by the Authority or the Trustee concerning the nature or condition of the Project Facilities. Neither the Authority nor the Trustee shall be liable to the Company or any other person for any latent or patent defect in the Project Facilities.

Section 603. [Reserved](#).

Section 604. [Reserved](#).

Section 605. [Disposition and Use of Project Facilities](#). The Company has transferred its interest in the Project Facilities to NAEC. NAEC is expected to transfer the Project Facilities to an unaffiliated party pursuant to an order of the New Hampshire Public Utilities Commission. No Bonds shall be issued under this Agreement until the Authority, the Company, the Trustee and NAEC have executed and delivered a Series B Seabrook Pollution Control Facilities Agreement substantially in the form attached hereto as Exhibit C (such Agreement and each subsequent agreement providing for a Seabrook Transfer, a "Facilities Agreement"). No sale, lease, transfer or other disposition of the Project Facilities or the Station shall relieve the Company of any of its obligations under this Agreement.

ARTICLE VII. [ADDITIONAL COVENANTS OF THE COMPANY](#)

Section 701. [Existence and Good Standing; Merger; Consolidation](#). The Company will maintain its corporate existence, qualification to do business and good standing under the laws of the State of New Hampshire and will maintain itself as a foreign corporation duly qualified to do business and in good standing, where applicable, in each jurisdiction in which the failure to so qualify would have a material adverse effect upon its business or properties. The Company shall not merge or consolidate with or sell all or substantially all of its assets to another entity, except that the Company may so merge or consolidate with or sell all or substantially all of its assets to another corporation if (i) the surviving or transferee corporation is qualified to do business in New Hampshire, (ii) the surviving or transferee corporation (if not the Company) has assumed in writing all of the Company’s obligations hereunder and under the Series J First Mortgage Bonds, and (iii) upon such assumption there will not be a Default hereunder, or under the First Mortgage Bond Indenture (disregarding any required passage of time or giving of notice thereunder). The Company shall not change its name or reorganize or change its legal structure or merge or consolidate with or sell all or substantially all its assets to another entity without at least thirty (30) days notice to the Trustee (unless the Trustee agrees to a shorter period).

Section 702. [Indemnification by the Company](#). The Company, regardless of any agreement to maintain insurance, shall and does hereby indemnify the Authority and the Trustee against (a) any and all claims by any person related to the participation of the Authority or the Trustee in the transactions contemplated by this Agreement, including without limitation claims arising out of any condition of the Project Facilities or Station or the construction, use,

occupancy or management thereof; any accident, injury or damage to any person occurring in or about the Station; any breach by the Company of its obligations under this Agreement; any act or omission of the Company or any of its agents, contractors, servants, employees or licensees; or the offering, issuance, sale or any resale of the Bonds to the extent permitted by law, and (b) all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon. In case any action or proceeding is brought against the Authority or the Trustee by reason of any such claim, the Company will defend the same at its expense upon notice from the Authority or the Trustee, and the Authority or the Trustee, as the case may be, will cooperate with the Company, at the expense of the Company, in connection therewith.

Section 703. [Continuing Disclosure](#). The Company and the Trustee hereby covenant and agree that each will comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it and this Section 703 of this Agreement. The Authority shall have no liability to the owners of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of this Agreement, failure of the Company or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any owner (including a beneficial owner) of Bonds may seek specific performance of the Company's or the Trustee's obligations to comply with the Continuing Disclosure Agreement or this Section 703 and not for money damages in any amount.

ARTICLE VIII. [DEFAULT AND REMEDIES](#)

Section 801. [Default](#).

(a) [Events of Default; Default](#). "Event of Default" in this Agreement means any one of the events set forth below and "Default" means any Event of Default without regard to any lapse of time or notice.

(i) [Debt Service on Bonds](#). Any payment of interest, principal or premium on the Bonds or any Purchase Price for Bonds shall not be paid when the same becomes due and payable.

(ii) [Other Obligations](#). The Company shall fail to observe or perform any of its other covenants or agreements contained herein, or the Seabrook Transferee shall fail to observe or perform any of its covenants or agreements related to the Project Facilities contained in the Facilities Agreement, and such failure shall continue for a period of sixty (60) days after written notice given to the Company by the Trustee, the Bond Insurer or the Bondowners of at least 25% in principal amount of the Bonds Outstanding; provided, however, that if such Default cannot be cured by the Company or the Seabrook Transferee within such sixty-day period, it shall not constitute an Event of Default if, with the written consent of the Bond Insurer (which shall not be unreasonably withheld) curative action is instituted by the Company or the Seabrook Transferee within such sixty-day period and thereafter is diligently pursued until such Default is cured.

(iii) First Mortgage Bond Default. The occurrence of any "event of default" as defined in the First Mortgage Bond Indenture.

(iv) Bond Insurance Agreement Default. The Trustee shall have received written notice from the Bond Insurer of the occurrence of any "Event of Default" as defined in the Bond Insurance Agreement.

The Company agrees to notify the Authority, the Trustee and the Bond Insurer promptly in writing of the occurrence of any Default or Event of Default of which it has knowledge. Immediately after becoming aware of an Event of Default under (i) above, or within five (5) days or the next Business Day if such fifth day is not a Business Day after becoming aware of a Default or an Event of Default under (ii), (iii), or (iv) above, the Trustee will give notice to the Bondowners and, in the case of an Event of Default under (i), (ii) or (iv) above, to the First Mortgage Bond Trustee.

Notwithstanding anything in this section to the contrary, no action or failure to act by the Company or the Seabrook Transferee which results in interest on the Bonds becoming includable in gross income of the owners thereof for federal income tax purposes shall constitute a Default or Event of Default under this Agreement so long as (I) the Company shall have delivered the opinion described in clause (i) of Subsection 307(c) or shall have complied with the second sentence of Subsection 307(d) and (II) the redemption provided by Subsection 307(c) occurs. In such event, no Bondowner shall be entitled to any claim for monetary damages hereunder and the redemption of the Bonds as provided under Subsection 307(c) shall be the exclusive recourse of Bondowners.

(b) Waiver. At any time before an acceleration pursuant to Section 802, the Trustee may waive a Default (other than a Default in the payment of principal of, premium, if any, or interest on the Bonds) and its consequences, with the written consent of the Bond Insurer, by written notice to the Company, and in the absence of any inconsistent instructions from Bondowners pursuant to Sections 805 or 1101 shall do so, with the written consent of the Bond Insurer, upon written instruction of the owners of at least twenty-five per cent (25%) in principal amount of the Outstanding Bonds. No waiver under this section shall affect the right of the Trustee or the Authority to enforce the payment of any amounts owing to it.

Any cure or waiver of any "event of default" under the First Mortgage Bond Indenture and a rescission and annulment of its consequences shall constitute a cure or waiver of the corresponding Event of Default under Paragraph 801(a)(iii) and a rescission and annulment of the consequences thereof, and the Trustee, upon obtaining knowledge thereof, shall give written notice of such cure or waiver, rescission or annulment to the Authority and the Company, and shall give notice thereof by mail to all Bondowners; but no such cure or waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Section 802. Remedies for Events of Default. If an Event of Default occurs and is continuing:

(a) [Acceleration](#). With the written consent of the Bond Insurer the Trustee may, and upon the written request of the Bondowners of at least 25% in principal amount of the Bonds Outstanding, shall, by written notice to the Authority, the Company, the Bond Insurer, the Liquidity Provider, if any, and the Remarketing Agent, if any, declare immediately due and payable the principal amount of the Outstanding Bonds and accrued interest thereon, whereupon the same shall become immediately due and payable without any further action or notice.

If at any time after such acceleration and before any judgment or decree for the payment of moneys with respect thereto has been entered all amounts payable hereunder except principal of and interest on the Bonds which are due solely by reason of such acceleration shall have been paid or provided for by deposit with the Trustee and all existing Defaults shall have been cured or waived, then the Bondowners representing a majority in principal amount of the Bonds Outstanding may annul such acceleration and its consequences by written notice to the Authority, the Trustee and the Company. Such annulment shall be binding upon the Authority, the Trustee and all of the Bondowners, but no such annulment shall extend to or affect any subsequent Default or impair any right or remedy consequent thereto.

(b) [Rights as a Secured Party](#). The Trustee may with the written consent of the Bond Insurer and shall, at the written direction of the Bond Insurer exercise all of the rights and remedies of a secured party under the UCC, subject to the terms of this Agreement. Notice sent by registered or certified mail, postage prepaid, or delivered during business hours, to the Company at least seven (7) days before an event under UCC Section 9-611(b) or any successor provision of law shall constitute reasonable notification of such event.

Section 803. [Court Proceedings](#). The Trustee and the Bond Insurer may enforce the provisions of this Agreement by appropriate legal proceedings for the specific performance of any covenant, obligation or agreement contained herein whether or not a Default or an Event of Default exists, or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Company of the provisions of this Agreement, including (to the extent this Agreement may lawfully provide) court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing the obligations of the Company hereunder. The Authority may likewise enforce obligations owed to it hereunder which it has not assigned to the Trustee. All rights under this Agreement and the Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the ratable benefit of the Bondowners.

Section 804. [Revenues after Default](#). After the occurrence of an Event of Default, any funds pledged as security hereunder and any other moneys received by the Trustee (other than amounts irrevocably set aside to pay particular Bonds), after payment or reimbursement of the reasonable expenses of the Trustee and the Authority in connection therewith shall be applied, first, to any other amounts owing to the Trustee; second, to any other amounts owing to the Authority other than the Authority's Service Charge; third, to amounts due under Section 305(a), which amounts shall be applied to the payment of principal of, premium, if any, and interest on the Bonds in the order specified in Section 304; fourth, to the Authority's Service Charge; and fifth, to other obligations of the Company hereunder in such order as determined by the Trustee.

Any amounts remaining after the satisfaction of all obligations of the Company hereunder shall be paid to the Company.

Section 805. [Rights of Bondowners](#). If an Event of Default occurs and is continuing, and if the Bondowners representing not less than 25% in principal amount of the Bonds Outstanding shall have requested the Trustee in writing to exercise one or more of the rights and remedies provided hereunder and offered it indemnity as provided in Subsection 902(e), the Trustee shall be required to exercise such one or more of the rights and remedies hereunder as the Trustee shall determine to be in the best interest of the Bondowners and not inconsistent with any directions given in accordance with Section 1101. No Bondowner shall have any right to institute an action in law or equity or to pursue any other remedy hereunder with respect to any Bond unless (i) an Event of Default of which the Trustee has been notified has occurred and Bondowners representing not less than 25% in principal amount of the Bonds Outstanding shall have requested the Trustee in writing to exercise its rights and remedies with respect thereto and shall have offered the Trustee reasonable opportunity to do so and indemnity as provided in Subsection 902(e), and (ii) the Trustee shall within a reasonable time thereafter fail to exercise any of such rights or remedies. No Bondowner shall have any right to institute any action or pursue any other remedy if and to the extent that the surrender, impairment, waiver, or loss of the lien of this Agreement would, under applicable law, result. Notwithstanding the foregoing, each Bondowner shall have a right of action to enforce payment of the Bonds at and after the due date thereof at the place, from the sources and in the manner expressed in the Bonds.

Section 806. [Performance of Company's Obligations](#). If the Company shall fail to observe or perform any of its agreements or obligations hereunder, the Authority or the Trustee may perform the same in its own name or in the Company's name and each is hereby irrevocably appointed the Company's attorney-in-fact for such purpose. Unless an Event of Default exists, the Authority or the Trustee, as the case may be, shall give at least five (5) days' notice to the Company before taking action under this section, except that in case of emergency as reasonably determined by the acting party, it may act on lesser notice or give the notice promptly after rather than before taking the action. The reasonable cost of any such action performed by the Trustee or the Authority shall be paid or reimbursed by the Company within thirty (30) days after the Trustee or the Authority notify the Company of such cost.

Section 807. [Remedies Cumulative; No Waiver](#). The rights and remedies under this Agreement shall be cumulative and shall not exclude any other rights and remedies allowed by law, provided there is no duplication of recovery. Neither the failure to insist upon a strict performance of any of the obligations of the Company, nor the failure to exercise any remedy for any violation thereof, shall be taken as a waiver for the future of the right to insist upon strict performance of the obligation or to exercise any remedy for the violation.

Section 808. [Rights of Bond Insurer](#).

(a) Anything in this Agreement to the contrary notwithstanding, except as provided in subsection (b), upon the occurrence and continuance of an Event of Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondowners or the Trustee for the benefit of the Bondowners under this Agreement, including, without limitation, acceleration of the principal of the Bonds as described in this Agreement and

the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of Events of Default with respect to the Bonds.

(b) Anything in this Agreement to the contrary notwithstanding, the provisions contained in this Section 808 and all other rights and remedies granted to the Bond Insurer under this Agreement shall be null and void upon the happening and during the continuance of any of the following (a “Bond Insurer Default”): (1) a Bond Insurer Event of Insolvency, except to the extent of payments made by the Bond Insurer under the Bond Insurance Policy which are not voidable preferences; or (2) failure of the Bond Insurer to pay in accordance with the Bond Insurance Policy, except to the extent of prior payments made by the Bond Insurer under the Bond Insurance Policy which are not voidable preferences.

ARTICLE IX. [THE TRUSTEE](#)

Section 901. [Corporate Organization, Authorization and Capacity](#). The Trustee represents and warrants that it is a trust company duly organized and validly existing under the laws of The Commonwealth of Massachusetts and duly licensed in Massachusetts, with the capacity to exercise the powers and duties of the Trustee hereunder, and that by proper corporate action it has duly authorized the execution and delivery of this Agreement.

Section 902. [Rights and Duties of the Trustee](#).

(a) [Moneys to be Held in Trust](#). All moneys deposited with the Trustee under this Agreement (other than amounts received for its own use) shall be held by the Trustee in trust and applied subject to the provisions of this Agreement, but need not be segregated from other funds except as required herein or by law.

(b) [Accounts](#). The Trustee shall keep proper accounts of its transactions hereunder (separate from its other accounts), which shall be open to inspection at reasonable times and upon reasonable advance written request by the Authority, the Bond Insurer, the Company and the Bondowners and their representatives duly authorized in writing.

(c) [Performance of the Authority’s Obligations](#). If the Authority shall fail to observe or perform any agreement or obligation contained in this Agreement, the Trustee may take whatever legal proceedings may be required to compel full performance by the Authority of its obligations, and in addition, the Trustee may, to whatever extent it deems appropriate for the protection of the Bondowners, itself or the Company, perform any such obligation in the name of the Authority and on its behalf.

(d) [Responsibility](#). The Trustee shall be entitled to the advice of counsel (who may be the Trustee’s counsel, counsel for the Authority, the Company or any Bondowner) and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Trustee may rely conclusively on any notice, certificate or other document furnished to it hereunder and reasonably believed by it to be genuine. The Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or powers conferred upon it, in good faith omitted to be taken by it and reasonably believed to be beyond the discretion or powers conferred upon it, taken by it pursuant to any direction or instruction by which it is governed hereunder, or omitted to be taken by it by reason

of the lack of direction or instruction required hereby for such action; nor shall it be responsible for the consequences of any error of judgment reasonably made by it. The duties of the Trustee are those expressly set forth in this Agreement, and no additional duties shall be implied. When any payment, consent or other action by it is called for hereby, it may defer such action pending receipt of such evidence, if any, as it may require in support thereof. The Trustee shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person, firm, or Company, except its own directors, officers, and employees. No recourse shall be had by the Company, the Authority or any Bondowner for any claim based on this Agreement or any Bond against any director, officer, employee, or agent of the Trustee alleging personal liability on the part of such person, unless such claim is based upon the bad faith, negligence, fraud or deceit of such person. The Trustee has no responsibility for the validity or sufficiency of this Agreement or the Bonds or any security therefor.

(e) [Limitations on Actions](#). The Trustee shall not be required to monitor the financial condition of the Company or the physical condition of the Project Facilities and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder, except to make them available for inspection by the Bondowners. The Trustee shall not be deemed to have knowledge of and shall not be required to take notice of any Default or Event of Default, except for a Default or Event of Default described in Paragraph 801(a)(i) relating to the payment of principal of, premium, if any, and interest on or Purchase Price of the Bonds, unless the Trustee shall be specifically notified in writing by the Company, the Authority or Bondowners representing not less than 25% in principal amount of the Bonds Outstanding, or in the case of a Default or Event of Default described in Paragraph 801(a)(iii), the Trustee shall be notified in writing by the First Mortgage Bond Trustee. The Trustee shall not be required to take any remedial action (other than the giving of notice) unless indemnity reasonably satisfactory to it is furnished for any expense or liability to be incurred therein, other than liability for failure to meet the standards set forth in this section. The Trustee shall be entitled to reimbursement from the Company for its expenses reasonably incurred or advances reasonably made, which reimbursement shall be due and payable thirty (30) days after notifying the Company of such expenses or advances, in the exercise of its rights or the performance of its obligations hereunder, whether or not it acts without previously obtaining indemnity.

A permissive right or power to act shall not be construed as a requirement to act. Upon receipt of written notice, direction, instruction, and indemnity as provided above and, after making such investigation, if any, as it deems appropriate to verify the occurrence of any Default of which it is notified by the Bondowners, the Trustee shall pursue such remedies hereunder (not contrary to such direction) as it deems appropriate for the protection of the Bondowners; and in its actions under this provision, the Trustee shall be required to act for the protection of the Bondowners with the same prudence as would be expected of a prudent person in the conduct of such person's affairs.

(f) [Financial Obligations](#). Nothing contained in this Agreement shall in any way obligate the Trustee to pay any debt or meet any financial obligations to any person in relation to the Project Facilities except from moneys received under the provisions of this Agreement (including from the exercise of its rights and remedies hereunder) other than moneys received for its own purposes.

(g) [Registration Books](#). The Trustee will keep books for the registration of the Bonds and transfers thereof as provided in this Agreement. The Trustee shall furnish a list of the Bondowners to the Authority, the Bond Insurer or Company at any time upon its request, and to Bondowners representing at least 15% in principal amount of the Outstanding Bonds, at any time upon their request.

(h) [Ownership of Bonds](#). The Trustee or any affiliate of the Trustee may be or become the owner of Bonds with the same rights as if it were not Trustee.

(i) [No Surety Bond](#). The Trustee shall not be required to furnish any bond or surety.

(j) [Requests by the Company](#). Upon any request by the Company to the Trustee to take any action under this Agreement (including but not limited to any proposed amendment pursuant to Section 1201) the Trustee shall be entitled to receive from the Company prior to taking such action, and to rely upon, a certificate of a Company Representative and an opinion of counsel reasonably satisfactory to the Trustee (who may be counsel to the Company), and, if applicable in the reasonable judgment of the Trustee, a certificate of an accountant satisfactory to the Company (who may be an employee of the Company), each to the effect that in the signer's opinion all conditions precedent applicable to such action under this Agreement, if any, have been satisfied (and, in the case of the certificate of the Company Representative, including but not limited to the absence of any Default or Event of Default) and such action is permitted by this Agreement.

(k) [Trustee as Holder of Series J First Mortgage Bonds](#). So long as no Default has occurred and is continuing, the Trustee may, but shall have no obligation to, take any action in its capacity as the registered holder of the Series J First Mortgage Bonds (other than the duty to exercise reasonable care in the safekeeping thereof and the giving of notices set forth below), unless and except to the extent the Trustee is directed in writing by the Bondowners as provided in Section 1101 of this Agreement. The Trustee shall promptly notify the Bondowners of the receipt of and contents of any notice it receives under the First Mortgage Bond Indenture (other than notices solely of payments being made on the Series J First Mortgage Bonds).

Section 903. [Fees and Expenses of the Trustee](#). The Company shall pay to the Trustee reasonable compensation for its services and prepay or reimburse the Trustee for its reasonable expenses and disbursements, including attorney's fees, hereunder. The Company shall indemnify and save the Trustee harmless against any and all (a) claims as set forth in Section 702 above, (b) costs, counsel fees, expenses and liabilities reasonably incurred in connection with such claims, and (c) costs, counsel fees, expenses and liabilities which it may incur in or arising from the administration, performance or exercise of its rights, powers, responsibilities or duties hereunder and which are not due to the bad faith, negligence, fraud or deceit of any director, officer, employee or agent of the Trustee. Any fees, expenses, reimbursements, or other charges which the Trustee may be entitled to receive from the Company hereunder shall be due and payable thirty (30) days after a request for payment has been made by the Trustee, and if not otherwise paid, shall be a first lien upon any funds or other property then or thereafter held hereunder by the Trustee. If any such moneys are so applied, the Company shall be immediately obligated to restore the moneys so applied.

Section 904. [Resignation or Removal of Trustee](#). The Trustee may resign on not less than sixty (60) days' notice given in writing to the Authority, the Bondowners, the Bond Insurer and the Company, but such resignation shall not take effect until a successor, approved by the Bond Insurer (which consent shall not be unreasonably withheld), has been appointed and has assumed the duties hereunder. The Trustee will promptly certify to the other parties that it has mailed such notice to all Bondowners and such certificate shall be conclusive evidence that such notice was given in the manner required hereby. The Trustee may be removed by written notice to the parties from the Bondowners representing a majority in principal amount of the Bonds Outstanding, upon not less than (30) days advance written notice (unless such removal is for cause), but no such removal shall take effect until a successor has been appointed and assumed the duties hereunder. A petition in a court of competent jurisdiction for removal of the Trustee and the appointment of a successor may be filed by the Bondowners representing not less than 25% in principal amount of the Bonds Outstanding.

Section 905. [Successor Trustee](#). Any Company or association which succeeds to the corporate trust business of the Trustee as a whole, or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall become vested with all the property, rights and powers of the Trustee hereunder, without any further act or conveyance.

In case the Trustee resigns or is removed or becomes incapable of acting, or becomes bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property is appointed, or if a public officer takes charge or control of the Trustee, or of its property or affairs, a successor shall be appointed by written notice from the Company to the Authority and the Bond Insurer. The Company shall notify the Bondowners of the appointment in writing within twenty (20) days from the appointment. The Company will promptly certify to the successor Trustee that it has mailed such notice to all Bondowners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. If no appointment of a successor is made within twenty (20) days after the giving of written notice in accordance with Section 904 or after the occurrence of any other event requiring or authorizing such appointment, the outgoing Trustee or any Bondowner may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor. Any successor Trustee appointed under this section shall be a trust company or a bank having the powers of a trust company that meets the requirements of the Act and has a capital and surplus of not less than \$50,000,000. Any such successor Trustee shall notify the Authority and the Company of its acceptance of the appointment and, upon giving such notice, shall become Trustee, vested with all the property, rights and powers of the Trustee hereunder, without any further act or conveyance. Such successor Trustee shall execute, deliver, record and file such instruments as are required to confirm or perfect its succession hereunder and any predecessor Trustee shall from time to time execute, deliver, record and file such instruments as the incumbent Trustee may reasonably require to confirm or perfect any succession hereunder.

ARTICLE X. [THE AUTHORITY](#)

Section 1001. [Limited Obligation](#). Under no circumstances shall the Authority be obligated directly or indirectly to pay Project Costs, principal of or premium, if any, and interest on the Bonds, or expenses of operation, maintenance and upkeep of the Project Facilities except

from Bond proceeds or from funds received under this Agreement, exclusive of funds received hereunder by the Authority for its own use. This Agreement does not create any debt of the State of New Hampshire with respect to the Project Facilities other than a special obligation of the Authority acting on behalf of the State of New Hampshire pursuant to the Act. Nothing contained herein shall in any way obligate the State of New Hampshire to raise any money by taxation or use other public funds for any purpose in relation to the Project Facilities. Neither the State of New Hampshire nor the Authority shall pay or promise to pay any debt or meet any financial obligation to any person at any time in relation to the Project Facilities except (i) from moneys received or to be received under the provisions hereof or derived from the exercise of the Authority's right hereunder, other than moneys received for its own purposes, or (ii) as may be required by law other than the provisions of the Act. Nothing contained in this Agreement shall be construed to require or authorize the Authority to operate the Project Facilities itself or to conduct any business enterprise in connection therewith.

Section 1002. [Rights and Duties of the Authority.](#)

(a) [Remedies of the Authority.](#) Notwithstanding any contrary provision in this Agreement, the Authority shall have the right to take any action or make any decision with respect to proceedings for indemnity against the liability of the Authority and for collection or reimbursement from sources other than moneys or property held under this Agreement or subject to the lien hereof. The Authority may enforce its rights under this Agreement which have not been assigned to the Trustee by legal proceedings for the specific performance of any obligation contained herein or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Company of its obligations to the Authority under this Agreement, including court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing such obligations.

(b) [Limitations on Actions.](#) The Authority shall not be required to monitor the financial condition of the Company or the physical condition of the Project Facilities and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder. The Authority shall not be required to take notice of any breach or default except when given notice thereof by the Trustee. The Authority shall not be responsible for the payment of any rebate to the United States of America under IRC § 148(f). The Authority shall not be required to take any action unless indemnity reasonably satisfactory to it is furnished for expenses or liability to be incurred therein (other than the giving of notice). The Authority, upon written request of the Bondowners or the Trustee, and upon receipt of reasonable indemnity for expenses or liability, shall cooperate to the extent reasonably necessary to enable the Trustee to exercise any power granted to the Trustee by this Agreement. The Authority shall be entitled to reimbursement pursuant to Section 1003 to the extent that it acts without previously obtaining full indemnity.

(c) [Responsibility.](#) The Authority shall be entitled to the advice of counsel (who may be counsel for any party or for any Bondowner) and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Authority may rely conclusively on any notice, certificate or other document furnished to it under this Agreement and reasonably believed by it to be genuine. The Authority shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power

conferred upon it, or in good faith omitted to be taken by it and reasonably believed to be beyond such discretion or power, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action under this Agreement, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment, consent or other action by the Authority is called for by this Agreement, the Authority may defer such action pending such investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Authority shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person or entity except by its own directors, officers and employees. No recourse shall be had by the Company, the Trustee or any Bondowner for any claim based on this Agreement or the Bonds against any director, officer, employee or agent of the Authority unless such claim is based upon the bad faith, fraud or deceit of such person. No covenant, obligation or agreement of the Authority contained in this Agreement shall be deemed to be a covenant, obligation or agreement of any present or future director, officer, employee or agent of the Authority in his individual capacity, and no person executing a Bond shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 1003. [Expenses of the Authority](#). The Company shall pay when due the Authority's Service Charge and shall prepay or reimburse the Authority within thirty (30) days after notice for all expenses (including reasonable attorney's fees) incurred by the Authority in connection with the issuance and carrying of the Bonds and all expenses reasonably incurred or advances reasonably made in the exercise of the Authority's rights or the performance of its obligations hereunder. Any fees, expenses, reimbursements or other charges which the Authority may be entitled to receive from the Company hereunder, if not paid within ten (10) days of when they are due, shall bear a late charge equal to 5% of the amount overdue, and if not paid within sixty (60) days, shall bear interest at 12% per annum.

Section 1004. [Matters to be Considered by Authority](#). In approving, concurring in or consenting to action or in exercising any discretion or in making any determination under this Agreement, the Authority may consider the interests of the public, which shall include the anticipated effect of any transaction on tax revenues and employment, as well as the interests of the other parties hereto and the Bondowners; provided, however, nothing herein shall be construed as conferring on any person other than the other parties and the Bondowners any right to notice, hearing or participation in the Authority's consideration, and nothing in this section shall be construed as conferring on any of them any right additional to those conferred elsewhere herein. Subject to the foregoing, the Authority will not unreasonably withhold any approval or consent to be given by it hereunder.

Section 1005. [Actions by Authority](#). Any action which may be taken by the Authority hereunder shall be deemed sufficiently taken if taken on its behalf by its Chairman, its Vice Chairman or its Executive Director or by any other director, officer or agent whom it may designate from time to time.

ARTICLE XI. THE BONDOWNERS

Section 1101. Action by Bondowners. Subject to Subsections 312, 801(b), 802(a), 808 and Section 1201 (as to the waivers and consents granted thereby), Bondowners representing a majority in principal amount of the Bonds Outstanding shall have the right at any time, by written notice to the Trustee and upon offering it indemnity as provided in Subsection 902(e), to direct the Trustee (i) in the granting of any consents, waivers or similar actions pertaining to the Bonds, (ii) in the time, method and place of conducting all proceedings, (iii) in the exercise of any rights or remedies available to the Trustee hereunder, or (iv) in the exercise of any other right or power conferred upon the Trustee for the protection of the Bondowners, provided that such direction shall be in accordance with the provisions of law and this Agreement, and the Trustee may take any other action determined proper by the Trustee which is not inconsistent with such direction.

Except with respect to the matters provided below and subject to Section 808, Bondowners representing a majority in principal amount of the Bonds Outstanding shall have the right, at any time, by written notice to the Trustee and the offering of indemnity as provided in Subsection 902(e), to direct the Trustee, as holder of all of the Series J First Mortgage Bonds, to exercise the rights available to it as holder of such bonds under the First Mortgage Bond Indenture, including, without limitation, as to rendering notice to the First Mortgage Bond Trustee of the occurrence of a default thereunder, the institution of any suit, action or proceeding to enforce payments on the Series J First Mortgage Bonds which were not paid when due or other proceeding in respect of the First Mortgage Bond Indenture which the Trustee, as holder of the Series J First Mortgage Bonds, is entitled to institute, and as to the time, place and method of any such proceeding for any remedy available to the Trustee, as holder of the Series J First Mortgage Bonds, subject however to compliance with the applicable provisions of the First Mortgage Bond Indenture.

Where the First Mortgage Bond Trustee is required or permitted to take any action under the First Mortgage Bond Indenture upon the direction, authorization, consent, notice or request of the holders of a specified percentage of principal amount of bonds outstanding thereunder or of outstanding bonds thereunder which would be adversely affected by such action, including with respect to acceleration of the maturity of such bonds under Section 10.1 of the First Mortgage Bond Indenture, the time, method and place of proceedings and waivers of events of default, as provided in Section 10.12 of the First Mortgage Bond Indenture and amendments of the First Mortgage Bond Indenture under Article 15 thereof, each Bondowner shall be deemed the holder of its pro-rata portion of the principal amount of Series J First Mortgage Bonds and shall have the right to direct the Trustee whether or not to render such direction, authorization, consent, notice or request under the First Mortgage Bond Indenture in respect of such Bondowner's pro-rata portion, whereupon the Trustee shall notify the First Mortgage Bond Trustee of the action to be taken in respect of the applicable principal amount of Series J First Mortgage Bonds.

Any request, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Bondowners may be contained in and evidenced by one or more writings of substantially the same tenor signed by the Bondowners of the requisite percentage of principal amount of Bonds Outstanding or their attorneys duly appointed in

writing. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, shall be sufficient for any purpose of this Agreement (except as otherwise herein expressly provided) if made in the following manner, but the Authority or the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The fact and date of the execution by any Bondowner or his or her attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Authority or to the Trustee or of any notary public or other officer authorized to take acknowledgements of the deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondowner may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its clerk or secretary or an assistant clerk or assistant secretary.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books for the Bonds maintained by the Trustee.

Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond. Bonds owned or held by or for the account of the Authority, the Company, or any related person to the Company within the meaning of Section 147(a) of the IRC shall not be deemed Outstanding Bonds for the purpose of any consent or other action by Bondowners.

ARTICLE XII. [AMENDMENTS AND MISCELLANEOUS](#)

Section 1201. [Amendments.](#)

(a) [Without Bondowners' Consent.](#) The parties may from time to time, but with the consent of the Bond Insurer, without the consent of any Bondowner, amend this Agreement in order to (i) cure any ambiguity, defect or omission in the Agreement that does not materially adversely affect the interests of the Bondowners, (ii) grant additional rights or security to the Trustee for the benefit of the Bondowners, (iii) add additional Events of Default as shall not be inconsistent with the provisions of this Agreement and which shall not materially adversely affect the interests of the Bondowners, (iv) qualify this Agreement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under this Agreement as shall not be inconsistent with the provisions of this Agreement and which shall not materially adversely affect the interests of the Bondowners. Provisions of this Agreement may also be amended by the parties without Bondowner consent in any respect, including the release of the First Mortgage Bonds, on the date of any mandatory tender of the Bonds, provided that notice of any such amendment is included in the notice of mandatory tender for purchase described in Sections 412 and 514. The Company acting alone may amend the Maximum Rate to a higher interest rate without Bondowner consent, provided that, if a Liquidity Facility is then in effect, it

entitles the Paying Agent to draw upon or demand and receive in immediately available funds an amount equal to the principal amount of the Bonds then outstanding plus a number of days of accrued interest at such amended Maximum Rate at least equal to the number of days required to be covered under this Agreement.

In addition, with the consent of the Broker-Dealer, the provisions of this Agreement concerning the Auction Procedures, including without limitation the mandatory tender provisions and amending the Auction Period, Auction Date and Interest Payment Dates as provided in this Agreement, and the definitions applicable thereto, including without limitation, the definition of Maximum Auction Rate, may be amended (i) by obtaining the consent of the Bond Insurer and the consent of the Trustee if the Trustee determines that such amendment does not materially adversely affect the rights of any Bondowner (it being agreed that in making such determination the Trustee may rely upon a certificate to such effect of the Broker-Dealer) or (ii) by obtaining the consent of the beneficial owners of the Bonds, or (iii) on any Auction Date on which Sufficient Clearing Bids have been made or all of the Auction Rate Securities are subject to Submitted Hold Orders. In the case of clause (iii) above, if on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice to the registered owners of the Auction Rate Securities as required by this Agreement, Sufficient Clearing Bids have been received or all of the Auction Rate Securities are subject to Submitted Hold Orders, the proposed amendment shall be deemed to have been consented to by the owners of all Auction Rate Securities.

(b) [With Bondowners' Consent](#). Except as set forth in Subsection 1201(a), the parties may from time to time amend this Agreement with the consent of the Bond Insurer and the owners of more than 50% in aggregate principal amount of the Bonds Outstanding; provided, that no amendment shall be made which adversely affects the rights of some but less than all the Bonds Outstanding without the consent of the owners of more than 50% in aggregate principal amount of the Bonds so affected; and provided further, that no amendment of this Agreement shall be effective to (i) change the principal, premium or interest on any Bonds, (ii) change the interest payment dates, maturity dates or redemption provisions of any Bonds, (iii) reduce the percentage of Bondowners whose consent is required for the amendment of this Agreement or (iv) modify the lien upon or pledge of the payments and other revenues assigned and pledged hereunder, without the consent, in each case, of the owner of each Bond which would be affected by the action proposed to be taken. Any amendment of this Agreement made under this or the preceding Subsection shall be accompanied by an opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that the amendment is permitted by this Agreement and that it will not affect the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes. When the Trustee determines that the requisite number of consents have been obtained for an amendment which requires Bondowner consent, it shall, within ninety (90) days, file a certificate to that effect in its records and give notice thereof to the Bondowners. No action or proceeding to invalidate the amendment shall be instituted or maintained unless it is commenced within sixty (60) days after such notice. The validity of the amendment shall not be adversely affected by any failure to give notice or any defect in the notice. A consent to an amendment may be revoked by a notice given by the Bondowner and received by the Trustee prior to the Trustee's certification that the requisite consents have been obtained.

Section 1202. [Notices](#). All notices to the Authority, the Trustee, the Company, the Bond Insurer or the Bondowners unless otherwise specified shall be in writing and shall be deemed sufficiently given if delivered by registered or certified mail, postage prepaid, or delivered during business hours as follows: (i) to the Authority at 14 Dixon Avenue, Suite 101, Concord, New Hampshire 03301, attention of the Executive Director, (ii) to the Trustee at 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103, attention of Corporate Trust Department, (iii) to the Company at 1000 Elm Street, Manchester, New Hampshire 03105, attention of Assistant Treasurer – Finance, with a copy to Northeast Utilities Service Company, P.O. Box 270, Hartford, Connecticut 06141-0270 (if by U.S. Mail) and 107 Selden Street, Berlin, Connecticut 06037 (if by courier), attention of Assistant Treasurer – Finance, (iv) to the Bond Insurer at 113 King Street, Armonk, New York 10504, attention of IPM-PCF, or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior written notice to the one giving notice. All notices to a Bondowner shall be in writing and shall be deemed sufficiently given if sent by first class mail, postage prepaid, to the Bondowner at the address shown on the registration books for the Bonds maintained by the Trustee. A Bondowner may direct the Trustee to change its address as shown on the registration books by written notice to the Trustee. All notices to Bondowners shall identify the Bonds by name, CUSIP number, date of original issuance, maturity date, and such other descriptive information as may be needed to identify accurately the Bonds.

All notices sent to Bondowners by the Trustee shall simultaneously be sent by registered or certified mail, postage prepaid, to all registered securities depositories that are registered owners of the Bonds, provided that the failure to give such notice shall not affect the validity of any notice given to Bondowners.

Notice hereunder may be waived prospectively or retroactively by the person entitled to the notice, but no waiver shall affect any notice requirement as to other persons.

Section 1203. [Agreement Not for the Benefit of Other Parties](#). This Agreement is not intended for the benefit of and shall not be construed to create rights in parties other than the Authority, the Company, the Trustee, the Bondowners, the Bond Insurer and the respective directors, members, officers, employees and agents of the Authority and the Trustee to the extent specified in Sections 902 and 1002.

Section 1204. [Severability](#). In the event that any provision of this Agreement shall be held to be invalid in any circumstance, such invalidity shall not affect any other provisions or circumstances.

Section 1205. [Counterparts](#). This Agreement may be executed and delivered in any number of counterparts, each of which shall be deemed to be an original; but such counterparts together shall constitute one and the same instrument.

Section 1206. [Captions](#). The captions and table of contents of this Agreement are for convenience only and shall not affect the construction hereof.

Section 1207. [Governing Law](#). This Agreement shall be governed by the laws of the State of New Hampshire.

Section 1208. [Payment Date Not a Business Day](#). If any payment, redemption or maturity date for principal, premium or interest shall be (i) a Sunday or a legal holiday, or (ii) a day on which banking institutions are authorized pursuant to law to close and on which the corporate trust office of the Trustee or the First Mortgage Bond Trustee is not open for business, then the payment thereof may be made on the next succeeding day not a day specified in (i) or (ii) with the same force and effect as if made on the specified payment date and no interest shall accrue for the period after the specified payment date.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed under seal all as of the date first above written.

BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

(Seal)

By: _____
Jack Donovan
Executive Director

PUBLIC SERVICE COMPANY OF NEW
HAMPSHIRE

(Seal)

By: _____
Randy A. Shoop
Assistant Treasurer - Finance

STATE STREET BANK AND TRUST
COMPANY, as Trustee

(Seal)

By: _____
Name:
Title:

EXHIBIT A

THE PROJECT FACILITIES

The Project Facilities to be financed by the Bonds consist of certain air or water pollution control and sewage or solid waste disposal facilities at the Seabrook Station Plant, Unit No. 1, in which Public Service Company of New Hampshire had, at the time of the issue of the 1991 Series C Bonds, a 35.56942 percent ownership interest. The Project Facilities include the following:

Waste Water Run-Off System

The Waste Water Run-Off System collects and treats yard area drainage to remove pollutants. The System includes catch basins, yard waste water drain pipes, and a site settling pond.

Chemical and Oily Waste Treatment System

The Chemical and Oily Waste Treatment System collects, stores, processes, treats and disposes of non-radioactive chemical and oily wastes. The wastes result from construction, start-up and operation of the Seabrook Station Plant. The wastes are collected and treated to remove pollutants. The System includes tanks, an acid and caustic handling system, waste lagoons, system flush piping, and oil separator, curbs and drains, pipes, valves, transfer pumps, controls and instrumentation and related support equipment.

Sanitary Waste System

Sanitary waste is collected, treated and disposed of by the Sanitary Waste System. The System includes sanitary drains, sumps and pumps, a holding tank, a pump station, a sewage treatment plant, piping, transfer pumps and related support equipment.

Radioactive Gaseous Waste System

The Radioactive Gaseous Waste System collects, processes, stores and treats radioactive gaseous waste produced during normal operations. The System includes the following components: a main gas collection header, a waste gas condenser with associated primary cooling water components, gas chiller compressor units, iodine guard beds, a regeneration subsystem for dryers, waste gas dryers, a waste gas compressor package, ambient carbon delay beds, particulate filters, an after cooler, a hydrogen surge tank, a waste gas radiation monitor, an equipment vent system, a hydrogenated vent header, and associated piping, valves, controls and instrumentation.

Exhaust Filtration System

The Exhaust Filtration System collects, filters and discharges exhaust containing low level radioactive contamination resulting from normal operations. The System includes exhaust

filters, exhaust fans, exhaust ducts, plenums, dampers, piping, flow control valves, and controls and instrumentation.

Liquid Radwaste System

The Liquid Radwaste System collects, processes, treats, recycles and disposes of low level radioactive liquid waste resulting from normal operations. The System includes tanks, filters, strainers, pumps, a reboiler, an evaporator, an evaporator distillate condenser, an evaporator distillate accumulator, an evaporator distillate cooler, an evaporator bottoms cooler, a waste demineralizer and filter, equipment drains, chemical drains, a radiation monitor, and associated controls and instrumentation.

Boron Recycle System

The Boron Recycle System collects, stores, treats, recycles and disposes of reactor coolant letdown during normal operations. This System is required to maintain reactor coolant letdown in accordance with federal pollution control standards as to radioactivity. The System includes the following components: Drain tanks, a degasifier, a preheater, a degasifier regenerative heat exchanger, trim coolers, a degasifier prefilter, cesium removal ion exchangers, recovery filters, waste storage tanks, recovery evaporator packages, recovery test tanks, recovery demineralizers, recovery demineralizer filters, a letdown rehead heat exchanger, a letdown chiller heat exchanger, a letdown moderating heat exchanger, a chiller surge tank, a chiller, thermal regenerative demineralizers, radiation monitors, associated pumps, piping and valves, and controls and instrumentation.

Steam Generator Blowdown Treatment System

The Steam Generator Blowdown Treatment System collects, processes, stores and treats steam generator blowdown for discharge or recycle during normal operation. This is necessary in compliance with pollution control requirements which limit the discharge of untreated steam generator blowdown. The System includes the following components: Blowdown evaporators, an evaporator distillate condenser, an evaporator condensate accumulator, an evaporator distillate pump, an evaporator condensate cooler, an evaporator bottoms pump, an evaporator bottoms cooler, blowdown demineralizers, acid and caustic systems, blowdown heat exchangers, and associated piping, controls and instrumentation.

Solid Radwaste System

The Solid Radwaste System collects, stores, packages and prepares solid radioactive waste for disposal. Radioactive solid wastes processed by this System include spent demineralizer resins, expended filter cartridges, evaporator concentrates as well as dry active waste consisting of rags, clothing, paper and other trash. The System includes the following components: A spent resin storage tank, an evaporator bottoms storage tank, associated collection piping, pumps and valves, a dry waste compactor, a filter transfer vehicle, and associated controls and instrumentation.

Waste Processing Building

The Waste Processing Building is a reinforced concrete structure which houses equipment used for exempt facilities. The purpose of this building is to house the air and water pollution control facilities and the solid waste disposal facilities.

Auxiliary Building

The Auxiliary Building is a reinforced concrete structure which houses both pollution control and production related equipment. Pollution control facilities located in the Auxiliary Building include portions of the liquid radwaste and gaseous radwaste systems. The cost of the Auxiliary Building and general support equipment has been allocated to the exempt facilities according to the ratio of space used for qualified equipment to the total space used in the building for all equipment.

Spent Nuclear Fuel Facility

The Spent Nuclear Fuel Facility is located in a separate building with enclosed fuel handling equipment for production functions and for spent fuel storage. The fuel handling facility includes a Seismic Category 1 structure containing a spent fuel pool with racks, spent fuel cooling and purification systems, a new fuel storage area, a spent fuel cask loading pit, and a cask washdown area. Also included are cranes and equipment supporting the fuel handling operations as well as the transfer canal leading the reactor containment. The cost of the Spent Nuclear Fuel Facility is determined through an allocation of the cost of the overall fuel facility between spent fuel facilities and production facilities.

Circulating Water System

The Circulating Water System will provide cooling water to the main condensers of Seabrook Station. The Circulating Water System is a once-through system using sea water from the Atlantic Ocean to remove the heat of condensation from the steam cycle and to dispose of that heat in an environmentally acceptable manner. The points of inlet and discharge of the cooling water are offshore, east of Hampton Beach, New Hampshire.

The System includes the following structures: Two 19-foot inside diameter tunnels, lined with reinforced concrete, which connect the plant with the offshore inlet and outlet structures; a pumphouse, located at the plant site which encloses traveling screens and pumps for the circulating water and service water systems; and a piping system at the plant site, for the most part underground, interconnecting the tunnels, the pumphouse, and the condensers.

The tunnels extend through the underlying rock in an east-west direction at an elevation between 200 and 250 feet below sea level. They end at the plant site with two 19-foot diameter vertical shafts, which reach above grade transforming at the top into two transition boxes open to the atmosphere. At the offshore end, the intake tunnel terminates with three 9-foot inside diameter vertical shafts connecting to three submerged inlet heads. The discharge tunnel

terminates with eleven 5-foot inside diameter vertical shafts, each connecting to a submerged bifurcated diffuser head.

Service Water Cooling Tower System

The Service Water Cooling Tower System disposes of waste heat from the plant service water system. Waste heat from equipment throughout the plant is collected by the service water cooling system piping. The service water transfers waste heat to the service water cooling tower, which discharges heat to the atmosphere, thereby controlling discharge of waste heat to the natural water resources adjacent to the station. The Service Water Cooling Tower System components include the service water cooling tower, service water piping, pumps and associated electrical service, mechanical equipment, controls and instrumentation.

Screen Wash System

The Screen Wash System collects, stores and disposes of debris removed from the circulating and service water systems. This debris is solid waste with no market or other value. After removal, the debris is transferred to a landfill for final disposal. The components of the Screen Wash System include the screen wash pumps, trash trough, trash container, piping and valves, associated electrical service, mechanical equipment, controls and instrumentation.

EXHIBIT B

SERIES B SEABROOK POLLUTION CONTROL FACILITIES AGREEMENT

This Series B Seabrook Pollution Control Facilities Agreement (this “Facilities Agreement”) is entered into as of December 19, 2001 by the Business Finance Authority of the State of New Hampshire (with its successors, the “Authority”), a body corporate and politic created under New Hampshire Revised Statutes Annotated 162-A:3; Public Service Company of New Hampshire (with its successors, the “Company”), a New Hampshire corporation; North Atlantic Energy Corporation (with its successors, “NAEC”), a New Hampshire corporation; and State Street Bank and Trust Company, a Massachusetts trust company, as Trustee (with its successors, the “Trustee”), under a Series B Loan and Trust Agreement dated as of October 1, 2001 (the “LTA”) among the Authority, the Company and the Trustee, which secures the Authority’s \$89,250,000 in aggregate principal amount Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 2001 Tax-Exempt Series B) (the “Bonds”). Capitalized terms not otherwise defined herein shall have the meaning given them in the LTA.

This Facilities Agreement is entered into pursuant to Section 605 of the LTA in connection with the issuance of the Bonds by the Authority on behalf of the Company and the proposed transfer by NAEC of its interest in the Station (including the Project Facilities) to an unaffiliated party. The purpose of this Facilities Agreement is to ensure the continued exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes and to satisfy certain requirements of the Authority with respect to facilities financed under the Act. This Facilities Agreement shall remain in effect so long as NAEC owns the Project Facilities and until no Bonds remain Outstanding.

In consideration of the mutual promises contained in this Facilities Agreement, the rights conferred and the obligations assumed hereby, and other good and valuable consideration, the receipt of which is hereby acknowledged, each of the Company, NAEC, the Authority and the Trustee agree, assign, covenant, grant, pledge, promise, represent and warrant as set forth herein for their own benefit and for the benefit of the Bondowners.

Section 1. Representations and Covenants of the Company. The Company represents, warrants, covenants and agrees as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of New Hampshire; is duly qualified to do business and in good standing in each jurisdiction in which the failure so to qualify would have a material adverse affect on its business or properties; and has full corporate power to enter into this Facilities Agreement.

(b) This Facilities Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company enforceable against the Company as provided herein and in the LTA, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in appropriate cases.

(c) No Default or Event of Default exists under the LTA.

(d) The Company has obtained all regulatory approvals necessary to enter into this Facilities Agreement and all such approvals have become final.

(e) The Company's execution and delivery of this Facilities Agreement does not violate or constitute a default under the Company's charter or by-laws, any applicable law, any order or decree of any court or governmental authority having jurisdiction over the Company, or any agreement or instrument binding on the Company or its properties.

Section 2. Representations and Covenants of NAEC. NAEC represents, warrants, covenants and agrees as follows:

(a) NAEC is a corporation duly organized, validly existing and in good standing under the laws of the State of New Hampshire; is duly qualified to do business and in good standing in the State of New Hampshire and in each jurisdiction in which the failure so to qualify would have a material adverse affect on its business or properties; and has full corporate power to enter into this Facilities Agreement.

(b) This Facilities Agreement has been duly authorized, executed and delivered by NAEC and constitutes a valid and binding obligation of NAEC enforceable against NAEC as provided herein, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in appropriate cases.

(c) NAEC has obtained all regulatory approvals necessary to enter into this Facilities Agreement and all such approvals have become final.

(d) NAEC's execution and delivery of this Facilities Agreement does not violate or constitute a default under NAEC's charter or by-laws, any applicable law, any order or decree of any court or governmental authority having jurisdiction over NAEC, or any agreement or instrument binding on NAEC or its properties.

(e) NAEC will maintain its corporate existence and its qualification to do business and good standing under the laws of the State of New Hampshire and will maintain itself as a foreign corporation duly qualified to do business and in good standing, where applicable, in each jurisdiction in which the failure to so qualify would have a material adverse effect upon its business or properties. NAEC shall not merge or consolidate with or sell all or substantially all of its assets to another entity, except that the NAEC may so merge or consolidate with or sell all or substantially all of its assets to another corporation if (i) the surviving or transferee corporation is qualified to do business in New Hampshire, and (ii) the surviving or transferee corporation (if not NAEC) has assumed in writing all of NAEC's obligations hereunder.

Section 3. Use of the Project. (a) Notwithstanding any provision herein or in the LTA to the contrary, NAEC will not operate the Project Facilities in any manner, and will not take or omit any action or permit any action to be taken or omitted with the result that interest on the

Bonds is included in the gross income of the owners thereof for federal income tax purposes. NAEC's use of the Project Facilities (or facilities replacing the same) shall be in furtherance of the purpose of air or water pollution control or sewage or solid waste disposal and in compliance with the Act.

(b) Notwithstanding any provision herein or in the LTA to the contrary, NAEC shall not permit the Project Facilities to fail to qualify as (1) "industrial facilities" under the Act, (2) a facility described in Section 1312(a) of the Tax Reform Act of 1986, or (3) "sewage or solid waste disposal facilities" or "air or water pollution control facilities" within the meaning of Section 103(b)(4)(E) or (F) of the 1954 Code. NAEC acknowledges that it is fully familiar with the physical condition of the Project Facilities and that it is not relying on any representation of any kind by the Authority or the Trustee concerning the nature or condition thereof. Neither the Authority nor the Trustee shall be liable to NAEC or any other person for any latent or patent defect in the Project Facilities.

(c) In the maintenance, improvement and operation of the Project Facilities, NAEC will comply in all material respects with all applicable building, subdivision, zoning and land use, environmental protection, sanitary and safety and other laws, rules and regulations, and will not permit any nuisance thereat and will, to the extent of its ownership and control, permit no nuisance to be committed thereat by others while NAEC is, or is entitled to be, in possession thereof. It shall not be a breach of this section if NAEC fails to comply with such laws, rules and regulations during any period in which NAEC shall in good faith be diligently contesting the validity thereof.

(d) NAEC shall pay in a timely manner all costs of maintaining and operating the Project Facilities, including without limitation all taxes, excises and other governmental charges lawfully levied thereon or with respect to its interests therein or use thereof to the extent of NAEC's interest therein. It shall not be a breach of this section if NAEC fails to pay any such costs, taxes or charges during any period in which NAEC shall in good faith be contesting the validity or amount thereof and no foreclosure proceedings have been commenced, unless the procedures applicable to such contest require payment thereof and proceedings for their refund or abatement.

(e) NAEC shall not sell, lease, transfer or otherwise dispose of the Project Facilities (other than the grant of a mortgage pursuant to a financing transaction) unless (i) it obtains the consent of the Authority, which consent shall not be unreasonably withheld, provided, however, that no such consent shall be required if such transaction has been approved by or consented to by the New Hampshire Public Utilities Commission; (ii) it obtains an opinion of Bond Counsel addressed to and reasonably satisfactory to the Trustee and the Authority that such sale, lease, transfer or other disposition will not affect the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes; and (iii) the sale, lease, transfer or other disposition is made pursuant to a written agreement executed and delivered by NAEC and the transferee, under which agreement the transferee agrees to be bound by covenants substantially similar in all material respects to the covenants set forth in Attachment 1 hereto.

NAEC shall not make any material change in the purposes for which the Project Facilities are used without the consent of the Authority, which consent shall not be unreasonably withheld.

NAEC at its own expense may alter, remodel or improve the Project Facilities and construct other facilities at the site of the Project Facilities, provided such action shall not result in any substantial change in the Project Facilities or the character of the activities conducted by NAEC at the Project Facilities site without the consent of the Authority, which consent shall not be unreasonably withheld.

(f) The Authority and the Trustee and their respective duly authorized agents shall have the right at all reasonable times and upon the furnishing of reasonable notice under the circumstances to examine the books and records of NAEC relating to the Project Facilities.

(g) The undertakings of NAEC contained in Subsections 3(b), (c), (d) and (e) are limited to those consistent with NAEC's undivided percentage interest in the facilities of which the Project Facilities are a part.

Section 4. Indemnification by NAEC. NAEC, regardless of any agreement to maintain insurance, shall and hereby does indemnify the Authority and the Trustee against (a) any and all claims by any person related to the participation of the Authority or the Trustee in the financing of the Project Facilities, including without limitation claims arising out of any condition of the Project Facilities or Station or the construction, use, occupancy or management thereof; any accident, injury or damage to any person occurring in or about the Station; any breach by NAEC of its obligations under this Facilities Agreement; any act or omission of NAEC or any of its agents, contractors, servants, employees or licensees; and (b) all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon. In case any action or proceeding is brought against the Authority or the Trustee by reason of any such claim, NAEC will defend the same at its expense upon notice from the Authority or the Trustee, and the Authority or the Trustee, as the case may be, will cooperate with NAEC, at the expense of NAEC, in connection therewith.

Section 5. Failure to Comply. NAEC shall immediately notify the Authority, the Company and the Trustee of any failure to observe or perform any of its covenants or agreements contained herein, and thereafter shall keep the Authority, the Company and the Trustee informed with respect to any curative action instituted by NAEC in order to cure such failure.

Section 6. Amendment. This Facilities Agreement may be amended by the parties hereto, provided, however, that in connection with any amendment the Company or NAEC shall furnish the Authority and the Trustee with an opinion of Bond Counsel stating that the amendment will not impair the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes.

Section 7. Agreement Not for the Benefit of Other Parties. This Facilities Agreement is not intended for the benefit of and shall not be construed to create rights in parties other than the Authority, the Company, NAEC, the Trustee and the Bondowners.

Section 8. Severability. In the event that any provision of this Facilities Agreement shall be held to be invalid in any circumstance, such invalidity shall not affect any other provisions or circumstances.

Section 9. Counterparts. This Facilities Agreement may be executed and delivered in any number of counterparts, each of which shall be deemed to be an original; but such counterparts together shall constitute one and the same instrument.

Section 10. Governing Law. This Facilities Agreement shall be governed by the laws of the State of New Hampshire.

IN WITNESS WHEREOF, the parties have caused this Facilities Agreement to be duly executed as of the date first above written.

BUSINESS FINANCE AUTHORITY OF
THE STATE OF NEW HAMPSHIRE

By: _____
Jack Donovan
Executive Director

PUBLIC SERVICE COMPANY OF NEW
HAMPSHIRE

By: _____
Randy A. Shoop
Assistant Treasurer-Finance

NORTH ATLANTIC ENERGY CORPORATION

By: _____

STATE STREET BANK AND TRUST
COMPANY, as Trustee

By: _____

**Attachment 1 to
Series B Seabrook Pollution Control Facilities Agreement**

**Covenants (substantially similar in all material respects) to be included in
Purchase and Sale Agreement**

Section 1.1. [Caption]

(a) Pollution Control Revenue Bonds.

(i) The Buyer acknowledges that:

(A) The Pollution Control Facilities have been financed, and refinanced, in whole or in part, with proceeds of the issuance and sale of the Pollution Control Bonds;

(B) The Company is the economic obligor and conduit borrower in respect of certain of the Pollution Control Bonds, as specified in Schedule _____;

(C) The interest paid or accrued on the Pollution Control Bonds is not included in the gross income of the holders of the Pollution Control Bonds (the "PC Bondholders") for purposes of federal income taxation;

(D) Pursuant to the Internal Revenue Code of 1954, as amended, and the Code, the basis for the federal income tax exclusion for interest payable to the PC Bondholders is the use of the Pollution Control Facilities for certain qualified purposes which include (I) the abatement or control of air or atmospheric pollution or contamination, (II) the abatement or control of water pollution or contamination, (III) sewage disposal and/or (IV) the disposal of solid waste;

(E) The use of all or part of the Pollution Control Facilities for a purpose other than the qualifying purpose or purposes described in subclause (D) above for which the Pollution Control Bonds that financed or refinanced them were issued may cause (I) the interest payable on all or part of the Pollution Control Bonds to be includable in the federal gross income of the PC Bondholders possibly with retroactive effect, unless remedial action is promptly taken to redeem or defease the Pollution Control Bonds or a portion thereof, and/or (II) the deductibility of the interest payable by the Company on all or part of the Pollution Control Bonds to be disallowed by Section 150(b) of the Code; and

(F) Any breach by the Buyer or any subsequent transferee of all or any part of the Pollution Control Facilities of its obligations under this Section 1.1(a) could result in the incurrence by the Company of additional costs and expenses, including, but not limited to, an increase in the rate of interest required to be paid to the PC Bondholders, liability to some or all of the PC Bondholders for their failure to include interest payable on the Pollution Control Bonds in their respective federal gross income in the event of a final

determination of taxability by the IRS, loss of the interest deduction to the Company under Section 150(b) of the Code and transaction costs relating to any refinancing, redemption and/or defeasance of all or part of the Pollution Control Bonds.

(ii) In order to avoid any or all of the consequences described in clauses (E) and (F) above, the Buyer agrees that it will not use, or permit the use of, all or part of the Pollution Control Facilities for any purpose except (x) the current use of such Pollution Control Facilities or (y) as “sewage or solid waste disposal facilities” or “air or water pollution control facilities” within the meaning of Section 103(b)(4)(E) or (F) of the Internal Revenue Code of 1954, as amended, as contemplated by the tax compliance documents or non-arbitrage certificates for the Pollution Control Bonds that financed or refinanced such Pollution Control Facilities (copies of which with respect to all of the Pollution Control Facilities have been provided to the Buyer by NAEC or the Company), unless the Buyer shall have obtained at its own expense an opinion of nationally recognized bond counsel reasonably acceptable to NAEC or the Company (“Bond Counsel”) addressed to and reasonably satisfactory to NAEC and the Company that such proposed change in use of the Pollution Control Facilities or part thereof will not impair (x) the exclusion from gross income of the interest on any Pollution Control Bonds for federal income tax purposes or (y) the deductibility of the interest payable on any Pollution Control Bonds by the Company under Section 150(b) of the Code.

(iii) The provisions of Section 1.1(a)(ii) shall not prohibit the Buyer from ceasing to operate, maintain or repair any element or item of the Pollution Control Facilities, suspending the operation of the Pollution Control Facilities on a temporary basis, or terminating the operation of the Pollution Control Facilities on a permanent basis and shutting down the Pollution Control Facilities; provided, however, that the Pollution Control Facilities, in whole or in part, shall not be maintained in such a manner as to prevent their being reactivated and used for a purpose permitted by Section 1.1(a)(ii), nor be retired and/or decommissioned, dismantled or sold as scrap, unless the Buyer has obtained at its own expense an opinion of Bond Counsel addressed to and reasonably satisfactory to NAEC and the Company that this action will not impair either (x) the exclusion from gross income of the interest on any Pollution Control Bonds for federal income tax purposes or (y) the deductibility of the interest payable with respect to any Pollution Control Bonds by the Company under Section 150(b) of the Code. The Buyer shall provide to NAEC and the Company written notice at least thirty (30) days in advance of any permanent shut-down, retirement, abandonment or decommissioning of Seabrook or the Pollution Control Facilities in whole or in part and shall in good faith by written notice to NAEC and the Company describe the affected property so that NAEC and the Company can determine which issue or issues of Pollution Control Bonds financed or refinanced such affected property.

(iv) It is expressly understood and agreed that this Section 1.1(a) shall not prohibit the use by the Buyer of tax-exempt bonds to finance or refinance any improvements to the Pollution Control Facilities made on or after the Closing Date or any assets other than the Pollution Control Facilities, provided that no breach by the Buyer of its covenants in this Section 1.1(a) shall result from such improvements.

(v) The Buyer shall indemnify NAEC and the Company for any costs and expenses incurred by NAEC or the Company, respectively, solely as a result of any breach by the Buyer of its covenants in this Section 1.1(a).

(vi) NAEC shall, or shall cause the Company to, notify the Buyer in writing of the maturity or redemption of any issue of the Pollution Control Bonds.

(vii) If NAEC or the Company shall have notified the Buyer that it has refinanced any of the Pollution Control Bonds with new bonds, the provisions of this Section 1.1(a), if applicable, shall apply with respect to such new bonds as though they were the Pollution Control Bonds.

(viii) The Buyer and any transferee or subsequent transferee will not sell or otherwise transfer all or part of the Pollution Control Facilities unless its transferee covenants in writing for the benefit of NAEC and the Company to comply with and to satisfy the covenants of this Section 1.1(a) (including without limitation the covenants of this clause (viii)) with respect to its ownership and use of such Pollution Control Facilities.

(ix) The covenants of this Section 1.1(a) shall survive Closing and shall continue in effect and bind the Buyer and any transferee or subsequent transferee of all or part of the Pollution Control Facilities so long as any of the Pollution Control Bonds remain outstanding.

Related Definitions

“Agreement” means this [Purchase and Sale Agreement], together with Schedules and Exhibits hereto, as the same may be amended from time to time.

“Bond Counsel” has the meaning set forth in Section 1.1(a)(ii).

“Buyer” [define as the buyer under the Purchase and Sale Agreement].

“Closing” means the closing of the transactions contemplated by this Agreement.

“Closing Date” means the date on which the Closing takes place.

“Code” means the Internal Revenue Code of 1986, as amended.

“Company” [define to mean the Company, as defined in the Facilities Agreement].

“Exhibit” means an exhibit to this Agreement.

“Facilities Agreement” means the Series B Seabrook Pollution Control Facilities Agreement to which this Attachment 1 is attached.

“IRS” means the Internal Revenue Service or any successor agency.

“LTA” means the LTA, as defined in the Facilities Agreement.

“NAEC” [define to mean NAEC, as defined in the Facilities Agreement].

“PC Bondholders” has the meaning set forth in Section 1.1(a)(i)(C).

“Pollution Control Bonds” [define to include the Bonds, as defined in the LTA.].

“Pollution Control Facilities” [define to include the Project Facilities, as defined in the LTA.].

“Schedule” means a schedule to this Agreement.

“Seabrook” [define to mean the Station, as defined in the LTA].

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

CONSTRUCTION BUDGET FOR YEAR 2013

SUMMARY

1	EXPENDITURES TO COMPLETE PROJECTS IN PROGRESS	
2	Schedule 1 - Projects Started In Prior Years	102,255,928
3	NEW PROJECTS BUDGETED FOR 2013	
4	Schedule 2 - Annual Projects	55,865,380
5	Schedule 3 - Projects Under \$50,000	285,088
6	Schedule 4 - Projects \$50,000 And Over	45,570,548
7	Schedule 5 - Contingent Projects	<u>0</u>
8	TOTAL NEW PROJECTS BUDGETED FOR 2013	<u>101,721,016</u>
9	ESTIMATED TOTAL CONSTRUCTION BUDGETED FOR YEAR	<u>203,976,944</u>
10	Less Estimated Non-Cash Items	
11	Allowance For Funds Used During Construction	1,263,983
12	Contributions And Reimbursements	<u>-7,517,500</u>
13	Total Non-Cash Items	<u>-6,253,517</u>
14	ESTIMATED CASH REQUIREMENTS FOR 2013 CONSTRUCTION	<u><u>210,230,461</u></u>

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2013 CONSTRUCTION BUDGET

PROCESS SUMMARY

<u>Budget Item</u>	<u>Total</u>	<u>Distribution</u>	<u>Generation</u>	<u>Transmission</u>
Schedule 1 - Projects Started In Prior Years	102,255,928	23,917,155	602,180	77,736,593
Schedule 2 - Annual Projects	55,865,380	50,202,062	1,988,278	3,675,040
Schedule 3 - Projects Under \$50,000	285,088	178,605	25,677	80,806
Schedule 4 - Projects \$50,000 And Over	45,570,548	25,037,522	9,253,241	11,279,785
Schedule 5 - Contingent Projects	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Estimated Total Construction Authorized For Year	203,976,944	99,335,344	11,869,376	92,772,224
Less: Estimated Non-Cash Items	<u>-6,253,517</u>	<u>335,187</u>	<u>72,268</u>	<u>-6,660,972</u>
Estimated Cash Requirements for 2013 Construction	<u>210,230,461</u>	<u>99,000,157</u>	<u>11,797,108</u>	<u>99,433,196</u>

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
2013 CONSTRUCTION BUDGET DETAILS
CUSTOMER OPERATIONS/ENERGY DELIVERY

Number	Project Description	2013 Budget
SCHEDULE 1 - PROJECTS STARTED PRIOR TO 2013		
2001	Construct New Tasker Farm 115 to 34.5kV Substation, Milton	5,021,007
2002	GIS Capital Program	3,500,010
2003	Rebuild Community Street Substation, Berlin	2,846,634
2004	Replace 34.5 - 12.47 kV Transformer at Pinardville Substation, Goffstown	1,623,308
2005	Replace Breaker at Canal Substation, Manchester	1,090,908
2006	Construct New 12.47KV Distribution Lines From Malvern Street Substation, Manchester	948,760
2007	Replace 35kV Air Insulated Switchgear at Brook Street Substation, Manchester	948,535
2008	Build DSCADA Infrastructure for Smart Grid Initiatives, Various Locations	799,769
2009	Construct New 12.47kV Circuit, New Boston	797,839
2010	Replace Nowell Street Substation Transformer, Nashua	758,811
2011	Reconductor 3171 & 3111 Lines, Portsmouth	735,549
2012	Rebuild 386/386A/340 Lines from Rochester Substation, Rochester	667,803
2013	Construct New 12.47kV 32W5 Line From Scobie Substation to Rte 28 Bypass, Derry	604,506
2014	Extend 3137X10 Circuit North Along Route 125, Barrington	574,206
2015	Reconductor 393 Line, Manchester	436,431
2016	Replace Eddy Substation Control Cable, Mancheseter	379,457
2017	Replace J53 Circuit Switcher at Rochester Substation, Rochester	327,258
2018	Improvements to VHF Radio Coverage (LMR)	311,148
2019	Replace 357 Line Pilot Wiring Relay Scheme at Eddy Substation, Manchester	303,608
2020	Replace Cables 19X5/19X6, Manchester	260,863
2021	Renovate East Side Substation, Berlin	222,835
2022	Add Reclosers to 3148X/32X3 Line, Somersworth	199,262
2023	Rebuild 317 Line Penacook Substation to Davisville Substation, Penacook	189,845
2024	Rebuild 4KV Circuit in Millyard, Manchester	142,475
2025	Telecommunications Wide Area Network 220-900 VHF Radio Systems	72,185
2026	Replace Busch Substation Circuit Switcher, Merrimack	48,046
2027	3601 Line Build New Parallel Line, Farmington	47,086
2028	Purchase New 115 to 12.47kV Mobile Substation	30,106
2029	Replace Switches and Disconnects with Viper Reclosers 3020X Line, Nashua	18,860
2030	Convert 20H1 Circuit to 34.5kV, Newington	10,045
TOTAL SCHEDULE 1		<u>23,917,155</u>
SCHEDULE 2 - ANNUAL PROJECTS		
2031	Purchase Transformers and Regulators	10,083,132
2032	Provide Service to New and Existing Customers	6,999,675
2033	Install Secondary Services (less than 600V)	5,730,014
2034	Enhanced Tree Trimming	2,999,868
2035	Overhead Insurance Claim	2,454,095
2036	Overhead Planned Obsolescence	2,437,275
2037	Purchase Meters	2,150,043
2038	Line Relocations, Various Locations	1,640,882
2039	Full Width Right of Way Clearing	1,417,166
2040	Overhead Failed Equipment	1,377,371
2041	Capitalization of Exclusionary Storm Material Costs	1,200,074
2042	Hazard Tree Removal	1,150,977
2043	Direct Buried Planned Obsolescence	1,128,631
2044	NHDOT Additions/Changes	1,070,742

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
2013 CONSTRUCTION BUDGET DETAILS
CUSTOMER OPERATIONS/ENERGY DELIVERY

Number	Project Description	2013 Budget
SCHEDULE 2 - ANNUAL PROJECTS (continued)		
2045	Reliability Improvements, Various Locations	992,098
2046	Replace Obsolete/Damaged Facilities, Various Locations	853,526
2047	Cable TV Projects Annual	785,036
2048	Distribution Substations Additions, Various Locations	664,410
2049	ROW Distribution Annual	664,366
2050	Purchase Tools and Equipment	639,499
2051	Maintain Voltage, Various Locations	569,274
2052	Non-Roadway Lighting	512,156
2053	2013 Facilities Modifications, Distribution	507,304
2054	Direct Buried Failed Equipment	490,613
2055	Telephone Additions/Changes	341,453
2056	Wide Area Network Changes and Additions	308,117
2057	Purchase Desktop Hardware	258,809
2058	High Pressure Sodium Lighting Additions and Changes	227,718
2059	Storm Capitalization Non Exclusionary	149,240
2060	Underground Planned Obsolescence	94,784
2061	Underground Failed Equipment	94,782
2062	Overhead Inspection Failed Equipment	63,700
2063	Telecommunications Additions - Heatsmart	50,020
2064	Local Area Network Changes and Additions	41,271
2065	Direct Buried Inspection Failed Equipment	24,728
2066	Purchase Office Furniture and Equipment	18,656
2067	Underground Inspection Failed Equipment	9,851
2068	Replace Tower and Equipment Sheds, Various Locations	<u>706</u>
TOTAL SCHEDULE 2		<u>50,202,062</u>
SCHEDULE 3 - PROJECTS UNDER \$50,000		
2069	Replace Substation Automation, Various Locations	47,458
2070	Convert Sections of 3177X1 Line to 19.9kV, Hollis	47,366
2071	Add Second 115 - 34.5kV 44.8 MVA Transformer at Rimmon Substation, Manchester	47,076
2072	Pole Reinforcement, Various Locations	35,055
	Miscellaneous	<u>1,650</u>
TOTAL SCHEDULE 3		<u>178,605</u>
SCHEDULE 4 - PROJECTS \$50,000 AND OVER		
2073	Purchase Vehicles	3,447,282
2074	Construct New 115-12.47kV Islington Street Substation, Portsmouth	3,099,900
2075	Replace Ayers Island Generator Step-up and TB8, New Hampton	1,610,819
2076	Replace Failed Cable, Various Locations	1,422,908
2077	Replace Obsolete Poles, Various Locations	1,261,675
2078	Porcelain Change-out, Various Locations	948,538
2079	New Business Specific Projects, Various Locations	843,066
2080	Replace Direct Buried Cable, Various Locations	806,369
2081	Construct New 115 to 12.47kV North Keene Substation, Keene	749,998
2082	Capital Work Resulting from NESCRRC Inspections, Various Locations	711,249
2083	Partial Conversion of 11H4 Circuit to Eliminate Projected Overload, Manchester	664,225

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2013 CONSTRUCTION BUDGET DETAILS

CUSTOMER OPERATIONS/ENERGY DELIVERY

Number	Project Description	2013 Budget
	SCHEDULE 4 - PROJECTS \$50,000 AND OVER (continued)	
2084	Conversion Washington Road 5H1/70H1, Rye	640,427
2085	Construct New 12kV Circuit 32W5 Route 28 Bypass, Derry	550,015
2086	34.5KV Circuit Breaker Replacement Program, Various Substations	510,349
2087	Reconductor 392X7 and Automate Lee Traffic Circle	441,001
2088	Relocate Huse Road Transformer, Manchester	379,478
2089	Direct Buried Cable Injection, Various Locations	379,460
2090	Install New Vipers with Fault Indication on 3157X1, Various Locations	379,354
2091	Replace Laconia Underground Switchgear and Install Sub-loop on 70W1, Laconia	332,100
2092	Replace Legacy REDAC 70 Radio Transmitting Units, Various Substations	331,923
2093	Replace Legacy ASW Pole Top Radio Transmitting Units, Various Locations	331,801
2094	Replace Troubled Protection Equipment, Various Substations	327,024
2095	Distribution Line Wire Upgrade, Various Locations	284,214
2096	Replace Vault Tops, Transformers and Protectors, Various Locations	284,136
2097	28H1 Circuit Replace Switchgear and Two Sector Cabinets, Rochester	256,250
2098	Replace Damaged Equipment on 317 Line, Various Locations	237,252
2099	Replace Obsolete Underground Equipment Downtown Portsmouth	237,185
2100	Convert 18H1 Circuit to 12kV, Various Locations	237,171
2101	Replace Cable Associated with Switchgear Installation at Brook St Substation, Manchester	227,714
2102	Install Protection Equipment as Required by NPCC, Various Locations	189,728
2103	Upgrade Protection at Reeds Ferry Substation, Merrimack	189,701
2104	Replace Station Service at Eastside Substation, Berlin	189,627
2105	Replace Substation Batteries, Various Locations	189,524
2106	Upgrade Substation Ground Grid, Various Locations	189,523
2107	Replace Oil Filled Switchgear, Manchester	189,215
2108	Rebuild River Crossing on 3750 Line, Merrimack, Litchfield	171,464
2109	Line Work to Retire Meredith Substation, Meredith	150,009
2110	Replace Two Switches Keene Underground, Keene	142,395
2111	Rebuild Manhole #1 on the 15W4 Circuit, Portsmouth	142,273
2112	Replace VXE-15 Reclosers with Viper Reclosers on W13 Circuit, Various Locations	142,270
2113	3153X1/3850X5 New Switchgear #22 Pease Tradeport, Newington	113,817
2114	Fill in Gap to Serve 23X5 Customers from 3159X Circuit, Amherst	100,040
2115	Air Brake Switch Replacement Program, Various Locations	95,020
2116	Replace Steel Towers, Various Locations	94,918
2117	Replace Substation Fences, Various Locations	94,854
2118	Reconductor 2 Miles of the 386 Line, Farmington	94,827
2119	Replace 34.5kV Switching Station Hollow Core Insulators, Various Locations	94,813
2120	Replace Station Service DC Panels, Various Locations	94,769
2121	Purchase Cable Tester	82,102
2122	Replace Peterborough Substation with Overhead Steps, Peterborough	71,088
2123	Rebuild 313 Line at Peterborough Substation, Peterborough	68,342
2124	Backbone Rehabilitation on the 316 Line Various Locations	57,117
2125	Rebuild 3151 and 322 Lines at Pinardville Substation, Goffstown	56,991
2126	Retrofit Capacitor Banks, Various Locations	50,170
2127	Construct New 115 - 34.5kV Massabesic Substation, Manchester	50,042
	TOTAL SCHEDULE 4	<u>25,037,522</u>
	SCHEDULE 5 - CONTINGENT PROJECTS	
2128	Provision for Unbudgeted Projects	<u>0</u>
	TOTAL SCHEDULE 5	<u>0</u>

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
2013 CONSTRUCTION BUDGET DETAILS
CUSTOMER OPERATIONS/ENERGY DELIVERY

<u>Number</u>	<u>Project Description</u>	<u>2013 Budget</u>
	ESTIMATED GROSS CONSTRUCTION BUDGETED FOR 2013	99,335,344
	Less Estimated Non-Cash Items:	
	Allowance For Funds Used During Construction	335,187
	Contributions and Reimbursements	<u>0</u>
	Total Non-Cash Items	<u>335,187</u>
	ESTIMATED CASH REQUIREMENTS FOR 2013 CONSTRUCTION	<u>99,000,157</u>

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2013 CONSTRUCTION BUDGET DETAILS

GENERATION

Line Item Number	Project Description	2013 Budget
SCHEDULE 1 - PROJECTS STARTED PRIOR TO 2013		
5001	Replace Control System Unit 6, Schiller	309,094
5002	Wet Flue Gas Desulphurization System, Merrimack	155,250
5003	FERC Relicensing, Eastman	92,252
5004	Replace Horizontal Reheater and Primary Superheater Unit 2, Merrimack ⁽¹⁾	24,951
5005	Replace Four Cyclones Unit 2, Merrimack ⁽¹⁾	20,633
	TOTAL SCHEDULE 1	<u>602,180</u>
SCHEDULE 2 - ANNUAL PROJECTS		
5006	Capital Annual, Merrimack	556,489
5007	Capital Annual, Schiller	468,664
5008	Capital Annual, Hydro	340,303
5009	Capital Annual, Wyman	307,000
5010	Capital Annual, Machine Shop	133,250
5011	Capital Annual, Staff	94,302
5012	Capital Annual, Newington	88,270
	TOTAL SCHEDULE 2	<u>1,988,278</u>
SCHEDULE 3 - PROJECTS UNDER \$50,000		
5013	Replace SCADA RTU, Schiller	25,677
	TOTAL SCHEDULE 3	<u>25,677</u>
SCHEDULE 4 - PROJECTS \$50,000 AND OVER		
5014	Replace Gas Recirculation Fan Unit 2, Merrimack	928,963
5015	Replace Soot Blowing Air Compressor, Merrimack	882,443
5016	Large Equipment Program, Merrimack	611,945
5017	Replace Generator Blower Stationary Blades Unit 2, Merrimack	569,623
5018	Replace Conveyor Belt, Schiller	410,519
5019	Replace Switchgear Assemblies Units 3 and 4, Garvins	369,000
5020	Replace Boiler House Roof, Schiller	359,339
5021	Replace Critical Valves Unit 2, Merrimack	311,216
5022	Install Disturbance Monitoring Equipment, Schiller	308,963
5023	Replace Fuel Oil Day Tank, Schiller	307,780
5024	Replace Main Transformer Breaker, Canaan	281,983
5025	Replace Disturbance Monitoring Equipment, Merrimack	278,951
5026	Large Equipment Program, Schiller	276,854
5027	Replace Coal Chutes, Merrimack	232,740
5028	Replace Condensate Polisher Controls Unit 2, Merrimack	232,278
5029	Replace Expansion Joints Unit 5, Schiller	226,051
5030	Replace Critical Valves Unit 1, Merrimack	214,167
5031	Replace Hydraulic System Unit 2, Eastman Falls	199,899
5032	Replace Turbine Generator Vibration Monitoring Unit 1, Merrimack	167,796
5033	Replace Generator Hydrogen Coolers Unit 5, Schiller	160,287
5034	Replace Generator Hydrogen Coolers Unit 4, Schiller	159,286

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2013 CONSTRUCTION BUDGET DETAILS

GENERATION

Line Item Number	Project Description	2013 Budget
	SCHEDULE 4 - PROJECTS \$50,000 AND OVER (continued)	
5035	Replace Load Center 1LC, Newington	155,053
5036	Replace Load Center 1LA, Newington	155,053
5037	Replace Vortex Finders Unit 5, Schiller	154,221
5038	Replace Generator Breaker, Hooksett	153,806
5039	Replace Economizer Outlet Expansion Joint Unit 2, Merrimack	132,847
5040	Purchase Vehicles, Generation	131,714
5041	Replace Selective Catalytic Reduction Expansion Joint Unit 2, Merrimack	125,411
5042	Replace Gas Recirculator Fan Inlet Duct Expansion Joint Unit 2, Merrimack	102,186
5043	Replace Air Heater Inlet Expansion Joints Unit 2, Merrimack	102,186
5044	Replace Coal Belts, Merrimack	92,889
5045	Replace Head Gate Hoist, Gorham	88,150
5046	Replace Coal Belt Drives, Merrimack	74,311
5047	Enclose and Secure Fly Ash Landfill Cell, Merrimack	72,391
5048	Replace Fuel Yard Skid Steer, Schiller	65,685
5049	Replace Selected SCR Economizer By-pass Expansion Joints Unit 1, Merrimack	53,780
5050	Asbestos Abatement Unit 1, Merrimack	51,772
5051	Install Disturbance Monitoring Equipment, Newington	<u>51,703</u>
	TOTAL SCHEDULE 4	<u>9,253,241</u>
	SCHEDULE 5 - CONTINGENT PROJECTS	
5052	Provision for Unbudgeted Projects	<u>0</u>
	TOTAL SCHEDULE 5	<u>0</u>
	ESTIMATED GROSS CONSTRUCTION BUDGETED FOR 2013	11,869,376
	Less Estimated Non-Cash Items:	
	Allowance For Funds Used During Construction	72,268
	Contributions and Reimbursements	<u>0</u>
	Total Non-Cash Items	<u>72,268</u>
	ESTIMATED CASH REQUIREMENTS FOR 2013 CONSTRUCTION	<u><u>11,797,108</u></u>

Note: (1) Parts to Inventory.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2013 CONSTRUCTION BUDGET DETAILS

TRANSMISSION

Line Item Number	Project Description	2013 Budget
	SCHEDULE 1 - PROJECTS STARTED PRIOR TO 2013	
6001	Build New 345kV Line, Maine to New Hampshire	13,050,546
6002	Build New Y170 Line to Rochester Substation, Rochester	7,501,952
6003	Build New 115kV Eastport Substation, Rochester	6,564,659
6004	Install Capacitor Bank at Webster Substation, Phase 1	6,561,014
6005	Replace and Relocate Relays at Merrimack 115kV Substation, Bow	4,546,027
6006	Rebuild D118 115kV Line, Deerfield Substation to Pine Hill Substation	3,856,570
6007	Upgrade 326 345kV Line, Scobie Pond Substation to Lawrence Road Substation to Sandy Pond Substation	3,274,474
6008	Rebuild H137 115kV Line, Merrimack Substation to Garvins Substation	2,804,817
6009	Install Capacitor Bank at Weare Substation	2,694,975
6010	Install Fiber on 363 Line, Seabrook Substation to Chester Substation	1,773,445
6011	Install Two New 115kV Circuit Breakers in Series with Existing Circuit Breakers BT12 and BT23	1,736,121
6012	Install New 115kV Line Position at Fitzwilliam S/S, Fitzwilliam	1,724,992
6013	Install Spare Transformer at Merrimack Substation, Bow	1,456,067
6014	Install Fiber on 385 Line, Rochester Substation to Deerfield Substation	1,371,993
6015	Cutover C129 115kV Line and G128 115kV Line and Strain Bus at Eastport Substation, Rochester	1,371,272
6016	Upgrade 381 345kV Line, Vernon Road Tap to Northfield Mountain Substation	1,152,043
6017	Replace Second System Relays on C196 115kV Line, Merrimack Substation to Greggs Substation	1,072,942
6018	Install Second Autotransformer, Littleton Substation, Littleton	1,036,907
6019	Upgrade Scobie Pond 345kV Substation 802S Series Breaker, Londonderry	1,008,233
6020	Upgrade Line Terminal at Monadnock 115kV Substation	1,007,635
6021	Upgrade Z177 Line Terminals at Berlin East side Substation, Berlin	821,065
6022	Relocate U199 Line, Littleton, Sugar Hill, Bethlehem	771,995
6023	Install Capacitor Bank, Schiller Substation, Portsmouth	712,964
6024	Relocate Existing 36.7 MVar Capacitor Banks at Merrimack Substation, Bow	707,997
6025	Build New Merrimack 115kV Substation Control House, Bow	669,996
6026	Acquire Right-of-Way for New Q166 115kV Line, Fitzwilliam Substation to Monadnock Substation	661,764
6027	Upgrade T198 115kV Line, Keene Substation to Monadnock Substation	620,970
6028	Install New A184 115kV Line Terminal at Scobie Pond 115kV Substation, Londonderry	579,881
6029	Replace Relays on Q171 115kV Line, Greggs Substation to Merrimack Substation	569,120
6030	Build New Q166 115kV Line, Fitzwilliam Substation to Monadnock Substation	534,111
6031	Replace SPS Relays at Newington, Scobie Pond 345kV, Lawrence Rd Substations	516,102
6032	Upgrade Broad St. Substation, Nashua	481,311
6033	Acquire Property for New Chester Switching Station, Chester	447,044
6034	Install Motor Operated Switch at Lost Nation Substation, Northumberland	440,327
6035	Replace Obsolete Components at Merrimack Substation, Bow	439,070
6036	Build New A184 115kV Line, Scobie Pond 115kV to Chester Substation	355,039
6037	Modify I158 115kV Line NERC Alert Rating	349,913
6038	Install Terminal Meter on 361 Line Terminal at Newington Substation, Newington	347,913
6039	Install Synchronous Condenser at Saco Valley Substation, Conway	334,956
6040	Acquire Land for New Transmission/Distribution Substation in Deerfield	288,036
6041	Replace Obsolete Components at Schiller Substation, Portsmouth	276,053
6042	Relocate Terminals from Rochester 115kV S/S to Eastport Transmission S/S, Rochester	249,786
6043	Replace D121 Line Second System Relays at Merrimack and Eddy Substations, Bow, Manchester	195,042
6044	Install Online Monitoring System on TB14 Line at Deerfield Substation, Deerfield	183,100
6045	Replace Copper Bus at Schiller Substation, Portsmouth	141,116
6046	Upgrade P145 115kV Line, Merrimack Substation to Oak Hill Substation	135,920
6047	Build New J147 115kV Line to Peaslee Substation	134,170
6048	Build New Peaslee 115kV Substation, Kingston	128,142
6049	Build New 115kV W144 Line Terminal at Scobie Pond 115kV Substation, Londonderry	121,914
6050	Modify Z119 BPS Line NERC Alert Rating	106,949
6051	Build New Eagle 345kV Substation, Merrimack	105,198
6052	Build New Control House at Berlin East side Substation, Berlin, 50% Reimbursable	105,033
6053	Modify P134 115kV Line NERC Alert Rating	103,189
6054	Install 345kV Capacitors at Amherst Substation, Amherst	90,143
6055	Upgrade G146 115kV Line, Deerfield Substation to Garvins Substation	69,991
6056	Build New 115/34.5kV Thornton Substation, Merrimack	64,947
6057	Acquire Land for New Portsmouth 115/12kV Substation, Portsmouth	49,999
6058	Split K165 Line into New Eagle Substation, Merrimack	49,979
6059	Acquire Land for 115/12kV North Keene Substation, Keene	49,804
6060	Upgrade 115kV D118 Terminal at Deerfield Substation, Deerfield	48,082

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2013 CONSTRUCTION BUDGET DETAILS

TRANSMISSION

Line Item Number	Project Description	2013 Budget
SCHEDULE 1 - PROJECTS STARTED PRIOR TO 2013 (continued)		
6061	Install OPGW on Z177 Line, Berlin East side Substation to Smith Hydro	31,081
6062	Replace Obsolete Components at Berlin Substation, Berlin	28,415
6063	Replace 115kV Hollow Core Insulators at Deerfield Substation, Deerfield	20,027
6064	Replace Cap & Pin Bus Insulators, 2011-2012	19,054
6065	Repair OPGW Fiber on H141 115kV Line	18,230
6066	Replace 345kV Hollow Core Insulators at Deerfield Substation, Deerfield	14,425
6067	Build New NH CT&M Facility	2,050
6068	Replace Relays at Greggs Substation, Goffstown	32
6069	Add Fiber and Re-energize Long Hill Substation to Broad St Substation	-36
6070	Interconnect Berlin Station Remote Work at Paris, Whitefield Substations, Dummer, Whitefield, Reimbursable	-1,064
6071	Upgrade V182 115kV Line, Garvins Substation to Webster Substation	-2,952
6072	Expand Webster St Substation and Add Capacitor Banks, Franklin	-5,989
6073	Repair OPGW Fiber on 3135 Line	-38,028
6074	Upgrade N110 Line Breaker Terminal at Berlin East Side Substation, Berlin, Reimbursable	-69,938
6075	Modify Various Lines and Substations for Granite Reliable Power Windpark, Reimbursable	-76,978
6076	Upgrade PSNH Transmission System for Groton Wind Park Interconnection, Reimbursable	-147,472
6077	Expand and Modify Berlin East side Substation for Berlin East Side Interconnect, Berlin, Reimbursable	-288,128
6078	Upgrade N110 Line for Berlin East Side Interconnection, Berlin, Reimbursable	<u>-390,951</u>
TOTAL SCHEDULE 1		<u>77,736,593</u>
SCHEDULE 2 - ANNUAL PROJECTS		
6079	Transmission Line Additions - 2013	2,590,260
6080	Transmission Vegetation Management	601,675
6081	Purchase Vehicles for Transmission - 2013	240,000
6082	Transmission Substation Additions - 2013	125,003
6083	Purchase Construction, Test & Maintenance Tools - 2013	100,102
6084	Purchase Vehicles for Transmission - 2012	<u>18,000</u>
TOTAL SCHEDULE 2		<u>3,675,040</u>
SCHEDULE 3 - PROJECTS UNDER \$50,000		
6085	Install Capacitors at 115kV Eagle Substation, Merrimack	34,809
6086	Split 380 Line for New 345kV Eagle Substation, Merrimack	30,155
6087	Reterminate B172, H141 Lines at Chester Substation, Chester	14,989
6088	Transmission Storm Work - 2013	1,025
6089	Install Capacitors at Weare Substation, Weare	-17
6090	Install ADSS at Smith Hydro, Berlin, Reimbursable	<u>-155</u>
TOTAL SCHEDULE 3		<u>80,806</u>
SCHEDULE 4 - PROJECTS \$50,000 AND OVER		
6091	Build New 115kV Oak Hill Substation, Concord	1,975,078
6092	Upgrade Electric System Control Center Emergency Management System	1,546,955
6093	Modify 115kV Lines NERC Alert Rating Placeholder	1,065,066
6094	Install Circuit Breaker on B143 Line Terminal at Reed's Ferry Substation, Merrimack	996,867
6095	Upgrade PSNH CIP Network Separation and Security	799,755
6096	Build New 115kV Chester Switching Station, Chester	758,161
6097	Build New 115kV F107 Line, Madbury Substation to Portsmouth Substation	738,010
6098	Install R1690 Series Breaker at Three Rivers Substation, Eliot, ME	344,945
6099	Build New Q132 115kV Line, Massabesic Substation to Huse Rd Substation	340,088
6100	Reconfigure JMUX and DMX Fiber Rings, Amherst, Deerfield, Fitzwilliam, Pine Hill	303,074
6101	Build New W144 115kV Line, Scobie Pond 115kV to Huse Rd Substation	285,001
6102	Replace Bus at Garvins Substation, Bow	268,976
6103	Upgrade J114 115kV Line, Greggs Substation to Rimmon Substation	255,193
6104	Replace Poles and Crossarms on A126 115kV Line, Ocean Rd to Brentwood Substation	241,959
6105	Upgrade H141 115kV Line, Chester Substation to Great Bay Substation	233,049

Line Item Number	Project Description	2013 Budget
	SCHEDULE 4 - PROJECTS \$50,000 AND OVER	
6106	Install W144 115kV Line Terminal at Huse Rd Substation	225,115
6107	Rebuild A152 115kV Line, Keene Substation to Chestnut Hill Substation	195,093
6108	Replace Poles and Crossarms on H141 115kV Line, Ocean Rd to Scobie Pond 115KV	176,453
6109	Rebuild K165 115kV Line, Eagle Substation to Power St Substation	142,998
6110	Upgrade R193 115kV Line, Scobie Pond 115kV to Kingston Substation	138,015
6111	Split V182 115kV Line for New 115kV Oak Hill Substation, Concord	114,967
6112	Upgrade D118 115kV Line Terminal at Pine Hill Substation, Hooksett	80,921
6113	Rebuild N186 115kV Line, Chestnut Hill to Brattleboro, VT Substation	<u>54,046</u>
	TOTAL SCHEDULE 4	<u>11,279,785</u>
	SCHEDULE 5 - CONTINGENT PROJECTS	
6114	Provision for Contingencies	<u>0</u>
	TOTAL SCHEDULE 5	<u>0</u>
	ESTIMATED GROSS CONSTRUCTION BUDGETED FOR 2013	<u>92,772,224</u>
	Less Estimated Non-Cash Items:	
	Allowance For Funds Used During Construction	856,528
	Contributions and Reimbursements	<u>-7,517,500</u>
	Total Non-Cash Items	<u>-6,660,972</u>
	ESTIMATED CASH REQUIREMENTS FOR 2013 CONSTRUCTION	<u>99,433,196</u>