

INDEX OF SCHEDULES:

Schedule TRD-1	Historical and Budget Capital Spending
Schedule TRD-2	Long-Term Debt Maturities
Schedule TRD-3	NPV Analysis – Interest Rate Savings
Schedule TRD-4	Maximum Coupon Rate Analysis

**Unitil Energy Systems
Historical Capital Spending**

Mar-Dec 2010	\$11.9
2011	13.1
2012	13.5
2013	16.3
2014	18.2
2015	23.1
2016	22.7
2017	20.6
Jan-May 2018	7.3
Total	<u>\$146.7</u>

2018 Budget Capital Spending

Blankets - Electric	\$10.4
Communications	0.4
Distribution	5.2
Tools, Shop, Garage	0.1
Office	0.0
Substation	0.9
Laboratory	0.0
Structures	2.1
	<u>\$19.1</u>

Unitil Energy Systems, Inc.
Long-Term Debt Maturities

	8.49% Due 10/14/2024 ⁽¹⁾	6.96% Due 9/1/2028	8.00% Due 5/1/2031	6.32% Due 9/15/2036	5.24% Due 3/2/2020	Total
2018	1,500,000	-	-	-	5,000,000	6,500,000
2019	1,500,000	2,000,000	-	-	5,000,000	8,500,000
2020	1,500,000	2,000,000	-	-	5,000,000	8,500,000
2021	1,500,000	2,000,000	-	-	-	3,500,000
2022	1,500,000	2,000,000	1,500,000	-	-	5,000,000
2023	-	2,000,000	1,500,000	-	-	3,500,000
2024	-	2,000,000	1,500,000	-	-	3,500,000
2025	-	2,000,000	1,500,000	-	-	3,500,000
2026	-	2,000,000	1,500,000	-	-	3,500,000
2027	-	2,000,000	1,500,000	-	-	3,500,000
2028	-	2,000,000	1,500,000	-	-	3,500,000
2029	-	-	1,500,000	-	-	1,500,000
2030	-	-	1,500,000	-	-	1,500,000
2031	-	-	1,500,000	-	-	1,500,000
2032	-	-	-	3,000,000	-	3,000,000
2033	-	-	-	3,000,000	-	3,000,000
2034	-	-	-	3,000,000	-	3,000,000
2035	-	-	-	3,000,000	-	3,000,000
2036	-	-	-	3,000,000	-	3,000,000
2037						-
2038						-
2039						-
2040						-
2041						-
2042						-
2043						-
2044						-
Total	7,500,000	20,000,000	15,000,000	15,000,000	15,000,000	72,500,000

UNITIL ENERGY SYSTEMS, INC.
NPV Scenario Analysis of 10 bps Interest Savings
Proposed Sale of \$30,000,000 First Mortgage Bonds

Year	Principal	Coupon Rate	Interest	Net Cash Flows
2018	\$ 30,000,000	0.10%	\$ -	\$ -
2019	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2020	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2021	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2022	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2023	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2024	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2025	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2026	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2027	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2028	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2029	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2030	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2031	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2032	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2033	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2034	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2035	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2036	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2037	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2038	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2039	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2040	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2041	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2042	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2043	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2044	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2045	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2046	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2047	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
2048	\$ 30,000,000	0.10%	\$ (30,000)	\$ (30,000)
NPV⁽¹⁾				\$ (425,954)

Unitil Energy Systems (NAIC-2+) - First Mortgage Bond New Issue Indicative Pricing

Term	5 years	7 years	10 years	20 years	30 years
Benchmark Treasury	T 2 5/8 06/30/23	T 2 7/8 05/31/25	T 2 7/8 05/15/28	Interpolated 20-year Yield	T 3 02/15/48
Treasury Yield	2.72%	2.81%	2.85%	2.91%	2.98%
Reoffer Spread to UST (bps)	T+95 Area	T+100 Area	T+105 Area	T+115 Area	T+125 Area
Fixed Coupon	3.674%	3.807%	3.896%	4.064%	4.230%
Swapped to 3m\$ LIBOR (bps) (mid)	3m L+80	3m L+92	3m L+98	3m L+111	3m L+131

Public Opco First Mortgage Bond Comparable Secondary Levels

Announce Date	Outstanding (US\$ millions)	Bond	Issue Spread	Term Remaining	Benchmark	Bid Spread to UST	Curve Adjusted	Swapped to LIBOR	Price
Delmarva Power & Light (A2 / A / A)									
Nov 07, 2013	\$500	EXC 3.500% 11/15/2023	T+90	5.4	T 2.75% 05/31/2023	T+80	G+78	L+64	\$99.93
May 04, 2015	\$375	EXC 4.150% 05/15/2045	T+130	26.9	T 3% 02/15/2048	T+120	-	L+124	\$99.57
Potomac Electric Power (A2 / A / A-)									
Mar 11, 2013	\$650	EXC 4.150% 03/15/2043	T+90	24.7	T 3% 02/15/2048	T+118	-	L+122	\$99.89
Commonwealth Edison Co (A1 / A- / A)									
Aug 16, 2017	\$350	EXC 2.950% 08/15/2027	T+75	9.1	T 2.875% 05/15/2028	T+85	G+86	L+80	\$94.22
Feb 12, 2018	\$800	EXC 4.000% 03/01/2048	T+85	29.7	T 3% 02/15/2048	T+117	-	L+122	\$97.50
Baltimore Gas & Electric Co (A3 / A- / A-)									
Aug 15, 2016	\$350	EXC 2.400% 08/15/2026	T+88	8.1	T 2.875% 05/15/2028	T+81	G+84	L+77	\$91.20
Aug 15, 2016	\$500	EXC 3.500% 08/15/2046	T+123	28.2	T 3% 02/15/2048	T+113	-	L+118	\$89.93
Aug 21, 2017	\$300	EXC 3.750% 08/15/2047	T+103	29.2	T 3% 02/15/2048	T+117	-	L+122	\$93.32
Oncor Electric Delivery (A2 / A+ / A)									
Apr 19, 2018	\$324	ONCRTX 3.800% 09/30/2047	T+100	29.3	T 3% 02/15/2048	T+115	-	L+120	\$94.47
Ameren Illinois Co (A1 / A pos / Au)									
Dec 03, 2014	\$300	AEE 3.250% 03/01/2025	T+97	6.7	T 2.875% 05/15/2028	T+85	G+91	L+82	\$97.34
Nov 16, 2017	\$500	AEE 3.700% 12/01/2047	T+93	29.4	T 3% 02/15/2048	T+115	-	L+120	\$92.77
Union Electric Co (A2 / A pos / Au)									
Apr 03, 2018	\$425	AEE 4.000% 04/01/2048	T+100	29.8	T 3% 02/15/2048	T+116	-	L+121	\$97.67
PPL Electric Utilities (A1 / A / -)									
Sep 28, 2015	\$350	PPL 4.150% 10/01/2045	T+132	27.3	T 3% 02/15/2048	T+110	-	L+114	\$101.18
Jun 11, 2018	\$400	PPL 4.150% 06/15/2048	T+108	30.0	T 3% 02/15/2048	T+115	-	L+120	\$100.39

Comparable Private Placement Issuance

Issue Date	Issuer	Rating	Amount (US\$ mm)	Maturity (yrs)	Issue Spread UST (bp)	Domicile
May-18	Potomac Electric Power Co	NAIC-1	\$200	30,30(d)	115,119	DE
Mar-18	Southern Maryland Electric Cooperative	NAIC-1	135	30f/18.2avg	105(4.00%)	MD
Mar-18	ITC Transmission	NAIC-1	225	35	95(4.00%)	MI
Mar-18	Southern Maryland Electric Cooperative	NAIC-1	135	30/18.2avg	105	MD
Mar-18	New Jersey Natural Gas Co	NAIC-1	125	30	85(4.01%)	NJ
Dec-17	Alabama Gas Corp	NAIC-1	75	30,40	3.92%,4.02%	AL
Nov-17	People Gas Light & Co	NAIC-1	100	30	95	IL
Oct-17	Tri-State Generation and Transmission Association	NAIC-1	120	112f/10avg	100,105(d)	CO
Oct-17	Northwestern Corp	NAIC-1	250	30	115(4.03%)	SD
Apr-17	Fitchburg Gas & Electric Light Co	NAIC-2	25	10,30	130(3.52%),145(4.32%)	MA
Apr-17	Granite State Gas Transmission	NAIC-2	15	10	150 (3.72%)	NH
Apr-17	Northern Utilities Inc	NAIC-2	50	10,30	130(3.52%),145(4.32%)	NH

Indicative New Issue Levels as of: Jun 28, 2018



000028

UNITIL ENERGY SYSTEMS, INC.
SOURCES AND USES OF FUNDS
Proposed Sale of \$30,000,000 First Mortgage Bonds
(\$ In Millions)

Sources of Funds

Proposed Sale of First Mortgage Bonds	\$30.0
---------------------------------------	--------

Total Sources of Funds	<u><u>\$30.0</u></u>
-------------------------------	-----------------------------

Uses of Funds

Repay Short-Term Debt and General Corporate Purposes	\$29.3
--	--------

Fees and Expenses	0.7
-------------------	-----

Total Uses of Funds	<u><u>\$30.0</u></u>
----------------------------	-----------------------------

UNITIL ENERGY SYSTEMS, INC.
ESTIMATED COST OF FINANCING
Proposed Sale of \$30,000,000 First Mortgage Bonds
(\$ in Millions)

Estimated Cost of Financing

Private Placement Fees to Placement Agents	\$0.1
Legal & Miscellaneous Fees	0.4
Security Rating Fees	0.1

Total Estimated Costs	<u><u>\$0.7</u></u>
------------------------------	----------------------------

UNITIL ENERGY SYSTEMS, INC.
UNAUDITED BALANCE SHEET AS OF MARCH 31, 2018
Proformed for the Issuance and Sale of \$30,000,000 First Mortgage Bonds
(\$ in Millions)

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
ASSETS:			
Utility Plant:			
Electric			
Construction Work in Progress			
Utility Plant			
Less: Accumulated Depreciation			
Net Utility Plant			
Current Assets:			
Cash			(A)
Accounts Receivable -- Less Allowance for Doubtful Accounts of \$0.4, \$0.3 and \$0.4			
Accrued Revenue			
Due from Affiliates			
Prepayments and Other			
Total Current Assets			
Noncurrent Assets:			
Regulatory Assets			
Other Noncurrent Assets			
Total Noncurrent Assets			
TOTAL			

(A) General corporate purposes

UNITIL ENERGY SYSTEMS, INC.
UNAUDITED BALANCE SHEET AS OF MARCH 31, 2018
Proformed for the Issuance and Sale of \$30,000,000 First Mortgage Bonds
(\$ in Millions, Except Par Value and Stock Shares Data)

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
CAPITALIZATION AND LIABILITIES:			
Capitalization:			
Common Stock Equity:			
Common Stock, No Par Value			
Authorized - 250,000 shares			
Issued and Outstanding - 131,746 shares			
Retained Earnings (Deficit)			
Total Common Stock Equity			
Preferred Stock:			
Preferred Stock, Non-Redeemable, Non-Cumulative:			
6% Series, \$100 Par Value			
Long-term Debt		(B)	
Total Capitalization			
Current Liabilities:			
Accounts Payable			
Short-Term Debt		(C)	
Long-Term Debt, Current Portion			
Energy Supply Obligations			
Regulatory Liabilities			
Other Current Liabilities			
Total Current Liabilities			
Noncurrent Liabilities:			
Deferred Income Taxes			
Energy Supply Obligations			
Cost of Removal Obligations			
Retirement Benefit Obligations			
Regulatory Liabilities			
Other Noncurrent Liabilities			
Total Noncurrent Liabilities			
TOTAL			

(B) Proposed offering of First Mortgage Bonds net of issuance fees and expenses

(C) Repayment of short-term debt

UNITIL ENERGY SYSTEMS, INC.
UNAUDITED STATEMENT OF EARNINGS FOR THE TWELVE MONTHS ENDED MARCH 31, 2018
Proformed for the Issuance and Sale of \$30,000,000 First Mortgage Bonds
(\$ in Millions)

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
Operating Revenues			
Operating Expenses:			
Cost of Electric Sales			
Operation and Maintenance			
Depreciation and Amortization			
Taxes Other Than Income Taxes			
Total Operating Expense			
Operating Income			
Interest Expense			(A)
Other Expense (Income)			
Income Before Income Taxes			
Income Taxes			(B)
Net Income			

(A) Assumes issuance of \$30 million 30-year notes at 5.25% and refinancing of \$26.7 million short-term debt at 3.13% interest savings

(B) Reflects statutory rates at pre- and post- Tax Cuts and Jobs Act of 2017

UNITIL ENERGY SYSTEMS, INC.

CAPITAL STRUCTURE AS OF MARCH 31, 20XX

Proformed for the Issuance and Sale of \$30,000,000 First Mortgage Bonds

(\$ in Millions)

	<u>Actual</u> <u>3/31/2016</u>	<u>Actual</u> <u>3/31/2017</u>	<u>Actual</u> <u>3/31/2018</u>	<u>Adjustments</u> <u>3/31/2018</u>	<u>Pro Forma</u> <u>3/31/2018</u>
Short-Term Debt	\$ 10.0	\$ 16.9	\$ 26.7	\$ (26.7)	\$ -
First Mortgage Bonds	77.0	74.0	67.5	30.0	97.5
Total Debt	\$ 87.0	\$ 90.9	\$ 94.2	\$ 3.3	\$ 97.5
Common Equity	77.0	79.0	80.6	-	80.6
Total Capitalization	\$ 164.0	\$ 169.9	\$ 174.8	\$ 3.3	\$ 178.1
Total Debt / Capitalization	53%	54%	54%		55%

UNITIL ENERGY SYSTEMS, INC.
WEIGHTED AVERAGE COST OF DEBT
Proformed for the Issuance and Sale of \$30,000,000 First Mortgage Bonds

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Description of Debt	Interest Rate	Maturity Date	Term	Date Issued	Face Value	Outstanding Amount	Issuance Costs	Net Proceeds Ratio [(6)-(8)/(6)]	Unamortized Issuance Costs	Net Proceeds Outstanding (7)-(10)	Annual Issuance Cost	Annual Interest Cost (2)*(7)	Total Annual Cost (12)+(13)	Cost Rate Based on Net Proceeds (14)/[(7)-(10)]
Existing Debt														
Long Term Debt														
FMB Series I	8.49%	10/14/2024	30 Yrs	10/14/1994	\$ 6,000,000	\$ 3,000,000	\$ 141,750	97.64%	\$ 31,114	\$ 2,968,887	\$ 4,756	\$ 254,700	\$ 259,456	8.74%
FMB Series J	6.96%	9/1/2028	30 Yrs	9/1/1998	10,000,000	10,000,000	343,727	96.56%	119,579	9,880,421	11,480	696,000	707,480	7.16%
FMB Series K	8.00%	5/1/2031	30 Yrs	5/1/2001	7,500,000	7,500,000	236,989	96.84%	63,789	7,436,211	4,876	600,000	604,876	8.13%
FMB Series L	8.49%	10/14/2024	30 Yrs	10/14/1994	9,000,000	4,500,000	193,809	97.85%	42,440	4,457,560	6,488	382,050	388,538	8.72%
FMB Series M	6.96%	9/1/2028	30 Yrs	9/1/1998	10,000,000	10,000,000	230,507	97.69%	80,267	9,919,734	7,706	696,000	703,706	7.09%
FMB Series N	8.00%	5/1/2031	30 Yrs	5/1/2001	7,500,000	7,500,000	111,917	98.51%	51,000	7,449,000	3,898	600,000	603,898	8.11%
FMB Series O	6.32%	9/15/2036	30 Yrs	9/26/2006	15,000,000	15,000,000	280,242	98.13%	172,426	14,827,574	9,341	948,000	957,341	6.46%
FMB Series P	5.24%	3/2/2020	10 Yrs	3/2/2010	15,000,000	10,000,000	504,042	96.64%	99,493	9,900,507	51,910	524,000	575,910	5.82%
12th Supplemental Indenture		12/1/2026	24 Yrs	12/1/2002			464,633		217,614	(217,614)	21,582		21,582	
Total Long Term Debt					\$ 80,000,000	\$ 67,500,000	\$ 2,507,615		\$ 877,722	\$ 66,622,278	\$ 122,036	\$ 4,700,750	\$ 4,822,786	7.24%

Pro Forma Debt

Long Term Debt														
FMB Series I	8.49%	10/14/2024	30 Yrs	10/14/1994	\$ 6,000,000	\$ 3,000,000	\$ 141,750	97.64%	\$ 31,114	\$ 2,968,887	\$ 4,756	\$ 254,700	\$ 259,456	8.74%
FMB Series J	6.96%	9/1/2028	30 Yrs	9/1/1998	10,000,000	10,000,000	343,727	96.56%	119,579	9,880,421	11,480	696,000	707,480	7.16%
FMB Series K	8.00%	5/1/2031	30 Yrs	5/1/2001	7,500,000	7,500,000	236,989	96.84%	63,789	7,436,211	4,876	600,000	604,876	8.13%
FMB Series L	8.49%	10/14/2024	30 Yrs	10/14/1994	9,000,000	4,500,000	193,809	97.85%	42,440	4,457,560	6,488	382,050	388,538	8.72%
FMB Series M	6.96%	9/1/2028	30 Yrs	9/1/1998	10,000,000	10,000,000	230,507	97.69%	80,267	9,919,734	7,706	696,000	703,706	7.09%
FMB Series N	8.00%	5/1/2031	30 Yrs	5/1/2001	7,500,000	7,500,000	111,917	98.51%	51,000	7,449,000	3,898	600,000	603,898	8.11%
FMB Series O	6.32%	9/15/2036	30 Yrs	9/26/2006	15,000,000	15,000,000	280,242	98.13%	172,426	14,827,574	9,341	948,000	957,341	6.46%
FMB Series P	5.24%	3/2/2020	10 Yrs	3/2/2010	15,000,000	10,000,000	504,042	96.64%	99,493	9,900,507	51,910	524,000	575,910	5.82%
12th Supplemental Indenture		12/1/2026	24 Yrs	12/1/2002			464,633		217,614	(217,614)	21,582		21,582	
New FMB*	5.25%				30,000,000	30,000,000	675,000	97.75%	675,000	29,325,000	22,500	1,575,000	1,597,500	5.45%
Total Long Term Debt					\$ 110,000,000	\$ 97,500,000	\$ 3,182,615		\$ 1,552,722	\$ 95,947,278	\$ 144,536	\$ 6,275,750	\$ 6,420,286	6.69%

Weighted Average Cost of Capital

	Actual (3/31/18)				Adjustment Amount	Pro Forma (3/31/18)			
	Amount	Percent of Total	Cost Rate	Weighted Cost Rate		Amount	Percent of Total	Cost Rate	Weighted Cost Rate
Common Equity	\$ 80,559,981	46%	9.50%	4.38%	\$ -	\$ 80,559,981	45%	9.50%	4.30%
Long Term Debt	67,500,000	39%	7.24%	2.80%	30,000,000	97,500,000	55%	6.69%	3.66%
Short Term Debt ¹	26,687,719	15%	3.13%	0.48%	(26,687,719)	-	0%	3.13%	0.00%
Total	\$ 174,747,699			7.65%	\$ 3,312,281	\$ 178,059,981			7.96%

* Assumes issuance of \$30 million 30-year notes at 5.25%

¹ Short Term Debt Cost Rate is based on March 31, 2018 interest rate

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

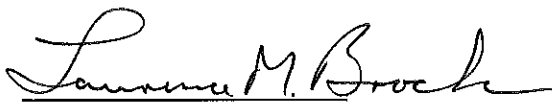
UNITIL ENERGY SYSTEMS, INC.
For the Period Ended December 31, 2015

UNITIL ENERGY SYSTEMS, INC.

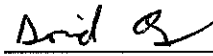
CERTIFICATION TO NOTEHOLDERS

I hereby certify that the accompanying Balance Sheets as of December 31, 2015 and December 31, 2014, Statements of Earnings for the years ended December 31, 2015, 2014 and 2013, Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013, and Statements of Retained Earnings for the years ended December 31, 2015, 2014 and 2013, were, to the best of my knowledge and belief, properly prepared and are correct.

I further certify that I have reviewed the provisions of the Unitil Energy System Inc.'s Bond Purchase Agreements, and to the best of my knowledge and belief the Company was, and remains in compliance with the provisions of these Agreements and no Event of Default exists or occurred during the period of the financial statements ending December 31, 2015 and up to the date of this certification.



Laurence M. Brock
Controller



David Chong
Treasurer

April 1, 2016



Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116-5022
USA

Tel: 1 617 437 2000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Unitil Energy Systems, Inc.
Hampton, NH

We have audited the accompanying financial statements of Unitil Energy Systems, Inc. (the "Company") (a wholly-owned subsidiary of Unitil Corporation), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of earnings, retained earnings, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Unitil Energy Systems, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying financial statements have been prepared from the separate records maintained by Unitil Corporation and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had been operated as an unaffiliated company. Portions of certain income and expenses represent allocations made from the Company's parent applicable to the Company's parent as a whole.

Predecessor Auditors' Opinion on 2013 Financial Statements

The financial statements of the Company as of December 31, 2013 and for the year ended December 31, 2013 were audited by other auditors whose report, dated March 28, 2014, expressed an unmodified opinion on those statements.

Deloitte & Touche LLP

Boston, MA
April 1, 2016

UNITIL ENERGY SYSTEMS, INC.
STATEMENTS OF EARNINGS
(\$ in Millions)

	Year Ended December 31,		
	2015	2014	2013
Operating Revenues	\$ 154.7	\$ 151.0	\$ 136.5
Operating Expenses:			
Cost of Electric Sales	97.1	95.9	82.5
Operation and Maintenance	21.0	20.4	20.5
Depreciation and Amortization	14.1	13.6	12.8
Taxes Other Than Income Taxes	5.2	5.4	4.8
Total Operating Expenses	137.4	135.3	120.6
Operating Income	17.3	15.7	15.9
Interest Expense	6.1	6.2	6.1
Other (Income) Expense, net	(0.6)	(0.5)	(0.6)
Income Before Income Taxes	11.8	10.0	10.4
Income Taxes	4.6	4.0	4.2
Net Income Applicable to Common Stock	\$ 7.2	\$ 6.0	\$ 6.2

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
BALANCE SHEETS
(\$ in Millions)

	December 31,	
	2015	2014
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 2.3	\$ 5.3
Accounts Receivable – Net of Allowance for Doubtful Accounts of \$0.5 and \$0.9	15.6	16.8
Accrued Revenue	14.2	18.0
Due from Affiliates	1.7	5.0
Deferred Income Taxes	1.1	0.8
Materials and Supplies	0.9	0.9
Prepayments and Other	1.6	1.6
Total Current Assets	37.4	48.4
Utility Plant:		
Electric	272.8	261.9
Construction Work in Progress	17.4	8.4
Utility Plant	290.2	270.3
Less: Accumulated Depreciation	86.7	81.7
Net Utility Plant	203.5	188.6
Other Noncurrent Assets:		
Regulatory Assets	32.8	35.0
Other Assets	2.0	2.2
Total Other Noncurrent Assets	34.8	37.2
TOTAL ASSETS	\$ 275.7	\$ 274.2

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
BALANCE SHEETS
(\$ in Millions, except par value and shares data)

	December 31,	
	2015	2014
LIABILITIES AND CAPITALIZATION:		
Current Liabilities:		
Accounts Payable	\$ 11.9	\$ 17.8
Short-Term Debt	8.8	10.8
Long-Term Debt, Current Portion	1.5	1.5
Energy Supply Obligations	1.9	5.2
Regulatory Liabilities	4.9	5.4
Taxes Payable	1.1	0.2
Other Current Liabilities	4.6	4.2
Total Current Liabilities	34.7	45.1
Noncurrent Liabilities:		
Energy Supply Obligations	1.6	2.0
Deferred Income Taxes	26.3	24.7
Cost of Removal Obligations	12.3	9.9
Retirement Benefit Obligations	47.2	42.9
Other Noncurrent Liabilities	0.6	0.6
Total Noncurrent Liabilities	88.0	80.1
Capitalization:		
Long-term Debt, Less Current Portion	75.5	78.5
Stockholders' Equity:		
Common Stock, No Par Value		
Authorized - 250,000 shares		
Issued and Outstanding - 131,746 shares	42.4	37.4
Retained Earnings	34.9	32.9
Total Stockholders' Equity	77.3	70.3
Preferred Stock:		
Preferred Stock, Non-Redeemable, Non-Cumulative:		
6.00% Series, \$100 Par Value	0.2	0.2
Total Stockholders' Equity	77.5	70.5
Total Capitalization	153.0	149.0
Commitments and Contingencies (Note 6)		
TOTAL LIABILITIES AND CAPITALIZATION	\$ 275.7	\$ 274.2

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
(\$ in Millions)

	Year Ended December 31,		
	2015	2014	2013
Operating Activities:			
Net Income	\$ 7.2	\$ 6.0	\$ 6.2
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:			
Depreciation and Amortization	14.1	13.6	12.8
Deferred Tax Provision	3.6	5.4	4.2
Changes in Working Capital:			
Accounts Receivable	1.2	(4.3)	0.6
Accrued Revenue and Energy Supply Obligations	0.5	2.9	(4.0)
Accounts Payable	(5.9)	3.4	2.7
Due to/from Affiliates	3.3	(1.6)	(2.1)
Regulatory Liabilities	(0.5)	0.8	2.6
Other Changes in Working Capital Items	1.3	---	(0.4)
Deferred Regulatory and Other Charges	3.2	1.6	2.8
Other, net	(2.6)	(4.4)	(2.5)
Cash Provided by Operating Activities	25.4	23.4	22.9
Investing Activities:			
Property, Plant, and Equipment Additions	(23.1)	(18.2)	(16.3)
Cash Used in Investing Activities	(23.1)	(18.2)	(16.3)
Financing Activities:			
(Repayment of) Proceeds from Short-Term Debt, net	(2.0)	0.2	(1.1)
Repayment of Long-Term Debt	(3.0)	---	---
Equity Contribution	5.0	---	---
Dividends Paid	(5.3)	(5.6)	(5.5)
Cash (Used in) Financing Activities	(5.3)	(5.4)	(6.6)
Net (Decrease) Increase in Cash and Cash Equivalents	(3.0)	(0.2)	---
Cash and Cash Equivalents at Beginning of Year	5.3	5.5	5.5
Cash and Cash Equivalents at End of Year	\$ 2.3	\$ 5.3	\$ 5.5
Supplemental Cash Flow Information:			
Interest Paid	\$ 5.9	\$ 6.0	\$ 6.0
Income Taxes Paid	\$ 1.0	\$ 1.1	\$ ---
Non-cash Investing Activity:			
Capital Expenditures Included in Accounts Payable	\$ 0.1	\$ ---	\$ 0.3

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(\$ in Millions)

	<u>Common Equity</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at January 1, 2013	\$ 37.4	\$ 32.2	\$ 69.6
Net Income		6.2	6.2
Dividends Declared		(6.0)	(6.0)
Balance at December 31, 2013	\$ 37.4	\$ 32.4	\$ 69.8
Net Income		6.0	6.0
Dividends Declared		(5.5)	(5.5)
Balance at December 31, 2014	\$ 37.4	\$ 32.9	\$ 70.3
Net Income		7.2	7.2
Dividends Declared		(5.2)	(5.2)
Equity Contribution	5.0		5.0
Balance at December 31, 2015	\$ 42.4	\$ 34.9	\$ 77.3

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Unitil Energy Systems, Inc. (Unitil Energy or Company), a wholly-owned subsidiary of Unitil Corporation, provides electric service in New Hampshire and is subject to regulation by the New Hampshire Public Utilities Commission (NHPUC). Unitil Energy's accounting policies conform with Generally Accepted Accounting Principles in the United States of America (U.S. GAAP), as applied in the case of regulated public utilities, and are in accordance with the accounting requirements of the NHPUC and the Federal Energy Regulatory Commission (FERC). A description of Unitil Energy's significant accounting policies follows.

Transactions with Affiliates - In addition to its investment in Unitil Energy, Unitil Corporation has interests in two other distribution utility companies, one doing business in New Hampshire and Maine and one doing business in Massachusetts, an interstate natural gas transmission pipeline company, a service company (Unitil Service Corp.), a realty company, a power company, and a non-regulated energy consulting company.

Transactions among Unitil Energy and other affiliated companies include professional and management services rendered by Unitil Service Corp. of approximately \$13.5 million, \$13.2 million and \$13.1 million in 2015, 2014 and 2013, respectively. The Company's transactions with affiliated companies are subject to review by the NHPUC, the Securities and Exchange Commission (SEC) and the FERC.

Prior to May 1, 2003, Unitil Energy purchased all of its power supply from Unitil Power Corp. (Unitil Power) under the Unitil System Agreement, a FERC-regulated tariff, which provided for the recovery of all of Unitil Power's power supply-related costs on a cost pass-through basis. Effective May 1, 2003, Unitil Energy and Unitil Power amended the Unitil System Agreement, such that power sales from Unitil Power to Unitil Energy ceased, and Unitil Power sold substantially all of its entitlements under the remaining portfolio of power supply contracts. Under the amended Unitil System Agreement, Unitil Energy continues to pay contract release payments to Unitil Power for costs associated with the portfolio sale and its other ongoing power supply-related costs. As of December 31, 2015, the obligations related to these divestitures were \$1.9 million and are recorded in Energy Supply Obligations on the Company's Balance Sheets with corresponding regulatory assets recorded in Accrued Revenue (current portion of \$0.3 million) and Regulatory Assets (long-term portion of \$1.6 million). Recovery of the contract release payments by Unitil Energy from its retail customers has been approved by the NHPUC.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, and requires disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value—The Financial Accounting Standards Board (FASB) Codification defines fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the FASB Codification are described below:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

are observable, either directly or indirectly.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3.

There have been no changes in the valuation techniques used during the current period.

Utility Revenue Recognition - Regulated utility revenues are based on rates and charges approved by federal and state regulatory commissions. Revenues related to the sale of electric service are recorded when service is rendered or energy is delivered to customers. The determination of energy sales to individual customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each calendar month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is estimated. This unbilled revenue is estimated each month based on estimated customer usage by class and applicable customer rates.

Depreciation - Depreciation expense is calculated on a group straight-line basis based on the useful lives of assets, and judgment is involved when estimating the useful lives of certain assets. The Company conducts independent depreciation studies on a periodic basis as part of the regulatory ratemaking process and considers the results presented in these studies in determining the useful lives of the Company's fixed assets. A change in the estimated useful lives of these assets could have a material impact on the Company's Financial Statements. Provisions for depreciation were equivalent to the following composite rates, based on the average depreciable property balances at the beginning and end of each year: 2015 - 3.64%, 2014 - 3.64% and 2013 - 3.66%. Depreciation expense for Unitil Energy was \$9.6 million, \$9.3 million and \$8.9 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Consumption Taxes - The Company bills its customers consumption tax in New Hampshire. These taxes are remitted to the department of revenue and are excluded from revenues on the Company's Statements of Earnings.

Income Taxes - The Company is subject to Federal and State income taxes as well as various other business taxes. This process involves estimating the Company's current tax liabilities as well as assessing temporary and permanent differences resulting from the timing of the deductions of expenses and recognition of taxable income for tax and book accounting purposes. These temporary differences result in deferred tax assets and liabilities, which are included in the Company's Balance Sheets. The Company accounts for income tax assets, liabilities and expenses in accordance with the FASB Codification

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

guidance on Income Taxes. The Company classifies penalty and interest expense related to income tax liabilities as income tax expense and interest expense, respectively, in the Statements of Earnings.

Provisions for income taxes are calculated in each of the jurisdictions in which the Company operates for each period for which a statement of earnings is presented. The Company accounts for income taxes in accordance with the FASB Codification guidance on Income Taxes which requires an asset and liability approach for the financial accounting and reporting of income taxes. Significant judgments and estimates are required in determining the current and deferred tax assets and liabilities. The Company's current and noncurrent deferred tax assets and liabilities reflect its best assessment of estimated future taxes to be paid. In accordance with the FASB Codification, the Company periodically assesses the realization of its deferred tax assets and liabilities and adjusts the income tax provision, the current tax liability and deferred taxes in the period in which the facts and circumstances which gave rise to the revision become known. Deferred income taxes are reflected as current and noncurrent Deferred Income Taxes on the Company's Balance Sheets based on the nature of the underlying timing item.

Unitil Corporation and its subsidiaries, including Unitil Energy, file consolidated federal income tax returns as well as combined or separate state income tax returns. Federal and state income taxes paid by Unitil Corporation are collected from, or refunded to, Unitil Corporation's subsidiaries based on a tax sharing agreement between Unitil Corporation and each of its affiliated subsidiaries. The tax sharing agreement apportions taxes paid among Unitil Corporation and its subsidiaries as though each affiliate had filed a separate tax return.

Cash and Cash Equivalents – Cash and Cash Equivalents includes all cash and cash equivalents to which the Company has legal title. Cash equivalents include short-term investments with original maturities of three months or less and interest bearing deposits. Under the Independent System Operator – New England (ISO-NE) Financial Assurance Policy (Policy), the Company is required to provide assurance of its ability to satisfy its obligations to ISO-NE. Under this Policy, the Company provides cash deposits covering approximately 2-1/2 months of outstanding obligations. On December 31, 2015 and 2014, the Company had deposited \$1.9 million and \$4.6 million, respectively to satisfy its ISO-NE Policy obligations. These amounts are included in Cash and Cash Equivalents on the Company's Balance Sheets.

Allowance for Uncollectible Accounts - The Company recognizes a Provision for Doubtful Accounts each month. The amount of the monthly Provision is based upon the Company's experience in collecting electric utility service accounts receivable in prior periods. Account write-offs and recoveries are processed monthly. At the end of each month, an analysis of the delinquent receivables is performed and the adequacy of the Allowance for Doubtful Accounts is reviewed. The analysis takes into account the amount of written-off receivables that are recoverable through regulatory rate reconciling mechanisms. The Company is authorized by regulators to recover the supply-related portion of its written-off accounts from customers through periodically reconciling rate mechanisms. Evaluating the adequacy of the Allowance for Doubtful Accounts requires judgment about the assumptions used in the analysis. Also, the Company has experienced periods when state regulators have extended the periods during which certain standard credit and collection activities of utility companies are suspended. In periods when account write-offs exceed estimated levels, the Company adjusts the Provision for Doubtful Accounts to maintain an adequate Allowance for Doubtful Accounts balance.

Accrued Revenue - Accrued Revenue includes the current portion of Regulatory Assets (see "Regulatory Accounting" below and unbilled revenues (see Utility Revenue Recognition above.) The following table shows the components of Accrued Revenue as of December 31, 2015 and 2014.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

Accrued Revenue (\$ millions)	December 31,	
	2015	2014
Regulatory Assets – Current	\$ 9.8	\$ 14.8
Unbilled Revenues	4.4	3.2
Total Accrued Revenue	\$ 14.2	\$ 18.0

Materials and Supplies – Materials and Supplies consist of distribution line construction and repair materials. It also consists of distribution substation repair materials. Materials and Supplies are stated at average cost and are issued from stock using the average cost of existing stock. Materials and Supplies are recorded when purchased and subsequently charged to expense or capitalized to property, plant, and equipment when installed. Materials and Supplies were \$0.9 million and \$0.9 million at December 31, 2015 and 2014, respectively.

Utility Plant – The cost of additions to Utility Plant and the cost of renewals and betterments are capitalized. Cost consists of labor, materials, services and certain indirect construction costs, including an allowance for funds used during construction (AFUDC). The average interest rates applied to AFUDC were 1.80%, 1.56% and 1.92% in 2015, 2014 and 2013, respectively. The costs of current repairs and minor replacements are charged to operating expense accounts. The original cost of utility plant retired or otherwise disposed of and the cost of removal, less salvage, are charged to the accumulated provision for depreciation. The Company includes in its mass asset depreciation rates, which are periodically reviewed as part of its ratemaking proceedings, cost of removal amounts to provide for future negative salvage value. At December 31, 2015 and 2014, the Company estimates that the cost of removal amounts, which are recorded on the Company's Balance Sheets in Cost of Removal Obligations are \$12.3 million and \$9.9 million, respectively.

Regulatory Accounting – Unitil Energy's principal business is the distribution of electricity. The Company is subject to regulation by the NHPUC and the FERC. Accordingly, the Company uses the Regulated Operations guidance as set forth in the FASB Codification. The Company has recorded Regulatory Assets and Regulatory Liabilities which will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

Regulatory Assets consist of the following (\$ millions)	December 31,	
	2015	2014
Retirement Benefits	\$ 24.7	\$ 23.5
Energy Supply & Other Regulatory Tracker Mechanisms	8.0	13.3
Deferred Storm Charges	8.8	11.3
Income Taxes	0.8	1.2
Other	0.3	0.5
Total Regulatory Assets	\$ 42.6	\$ 49.8
Less: Current Portion of Regulatory Assets ⁽¹⁾	9.8	14.8
Regulatory Assets – noncurrent	\$ 32.8	\$ 35.0

⁽¹⁾ Reflects amounts included in Accrued Revenue on the Company's Balance Sheets.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

Regulatory Liabilities consist of the following (\$ millions)	December 31,	
	2015	2014
Regulatory Tracker Mechanisms	\$ 4.9	\$ 5.4
Total Regulatory Liabilities	\$ 4.9	\$ 5.4

Generally, the Company receives a return on investment on its Regulatory Assets for which a cash outflow has been made. Regulatory commissions can reach different conclusions about the recovery of costs, which can have a material impact on the Company's Financial Statements. The Company believes it is probable that it will recover its investments in long-lived assets, including regulatory assets.

If the Company, or a portion of its assets or operations, were to cease meeting the criteria for application of these accounting rules, accounting standards for businesses in general would become applicable and immediate recognition of any previously deferred costs, or a portion of deferred costs, would be required in the year in which the criteria are no longer met, if such deferred costs were not recoverable in the portion of the business that continues to meet the criteria for application of the FASB Codification topic on Regulated Operations. If unable to continue to apply the FASB Codification provisions for Regulated Operations, the Company would be required to apply the provisions for the Discontinuation of Rate-Regulated Accounting included in the FASB Codification. In the Company's opinion, its regulated operations will be subject to the FASB Codification provisions for Regulated Operations for the foreseeable future.

Derivatives – The Company enters into wholesale electric energy supply contracts to serve its customers. The Company's policy is to review each contract and determine whether they meet the criteria for classification as derivatives. As of December 31, 2015, the Company determined that none of its wholesale electric energy supply contracts met the criteria for recognition as a derivative instrument as the contracts qualify for the normal purchase and sale scope exemption per the FASB Codification as it applies to derivative instruments.

Energy Supply Obligations – The following discussion and table summarize the nature and amounts of the items recorded as Energy Supply Obligations on the Company's Balance Sheets.

Power Supply Contract Divestitures - As a result of the restructuring of the utility industry in New Hampshire, Unitil Energy's customers have the opportunity to purchase their electric or natural gas supplies from third-party suppliers. In connection with the implementation of retail choice, Unitil Power, which formerly functioned as the wholesale power supply provider for Unitil Energy, divested its long-term power supply contracts through the sale of the entitlements to the electricity sold under those contracts. Unitil Energy recovers in its rates all the costs associated with the divestiture of its power supply portfolios and has secured regulatory approval from the NHPUC for the recovery of power supply-related stranded costs. As of December 31, 2015, the obligations related to these divestitures were \$1.9 million and are recorded in Energy Supply Obligations on the Company's Balance Sheets with corresponding regulatory assets recorded in Accrued Revenue (current portion of \$0.3 million) and Regulatory Assets (long-term portion of \$1.6 million).

Renewable Energy Portfolio Standards - Renewable Energy Portfolio Standards (RPS) require retail electricity suppliers, including public utilities, to demonstrate that required percentages of their sales are met with power generated from certain types of resources or technologies. Compliance is demonstrated by purchasing and retiring Renewable Energy Certificates (REC) generated by facilities approved by the state as qualifying for REC treatment. Unitil Energy purchases RECs in compliance with RPS legislation in New Hampshire for supply provided to default service customers. RPS compliance costs are a supply cost that is recovered in customer default service rates. Unitil Energy collects RPS compliance costs from

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

customers throughout the year and demonstrates compliance for each calendar year on the following July 1. Due to timing differences between collection of revenue from customers and payment of REC costs to suppliers, Unitil Energy typically maintains accrued revenue for RPS compliance which is recorded in Accrued Revenue with a corresponding liability in Energy Supply Obligations on the Company's Balance Sheets.

Energy Supply Obligations consist of the following: (\$ millions)	December 31,	
	2015	2014
Current:		
Power Supply Contract Divestitures	\$ 0.3	\$ 0.5
Renewable Energy Portfolio Standards	1.6	4.7
Total Energy Supply Obligations – Current	\$ 1.9	\$ 5.2
Long-Term:		
Power Supply Contract Divestitures	\$ 1.6	\$ 2.0
Total Energy Supply Obligations	\$ 3.5	\$ 7.2

Retirement Benefit Obligations – The Company co-sponsors the Unitil Corporation Retirement Plan (Pension Plan), which is a defined benefit pension plan. The Pension Plan is closed to new non-union employees. The Pension Plan was closed to union employees covered under the collective bargaining agreement, entered into during 2012 between Unitil Energy and IBEW Local 1837, and hired subsequent to June 1, 2012. The Company also co-sponsors a non-qualified retirement plan, the Unitil Corporation Supplemental Executive Retirement Plan (SERP), covering certain executives of the Company and an employee 401(k) savings plan. Additionally, the Company co-sponsors the Unitil Employee Health and Welfare Benefits Plan (PBOP Plan), primarily to provide health care and life insurance benefits to retired employees.

The Company records on its balance sheets a liability for the underfunded status of its retirement benefit obligations (RBO) based on the projected benefit obligation. The Company has recognized a corresponding Regulatory Asset, to recognize the future collection of these obligations in electric rates. See Note 8.

Off-Balance Sheet Arrangements – As of December 31, 2015, the Company does not have any significant arrangements that would be classified as Off-Balance Sheet Arrangements. In the ordinary course of business, the Company does contract for certain office and other equipment and motor vehicles under operating leases and, in the Company's opinion, the amount of these transactions is not material.

Concentrations of Credit Risk – Financial instruments that subject the Company to credit risk concentrations consist of cash and cash equivalents and accounts receivable. The Company's cash and cash equivalents are held at financial institutions and at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. Accounts receivable may be affected by changes in economic conditions. However, the Company believes that the credit risk associated with accounts receivable is offset by the diversification of the Company's customer base. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents and accounts receivable.

Commitments and Contingencies – The Company's accounting policy is to record and/or disclose commitments and contingencies in accordance with the FASB Codification as it applies to an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. As of December 31, 2015, the Company is

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

not aware of any material commitments or contingencies other than those disclosed in the Commitments and Contingencies footnote to the Company's Financial Statements below. See Note 6.

Recently Issued Pronouncements — In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases, which replaces the existing guidance in Accounting Standard Codification 840, Leases. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. ASU 2016-02 requires a dual approach for lessee accounting under which a lessee would account for leases as finance (also referred to as capital) leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and corresponding lease liability. For finance leases the lessee would recognize interest expense and amortization of the right-of-use asset and for operating leases the lessee would recognize straight-line total lease expense. The Company is evaluating the impact that this new guidance will have on the Company's Financial Statements.

In January 2016, the FASB issued ASU 2016-01 which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. A financial instrument is defined as cash, evidence of ownership interest in a company or other entity, or a contract that both: (i) imposes on one entity a contractual obligation either to deliver cash or another financial instrument to a second entity or to exchange other financial instruments on potentially unfavorable terms with the second entity and (ii) conveys to that second entity a contractual right either to receive cash or another financial instruments from the first entity or to exchange other financial instruments on potentially favorable terms with the first entity. This pronouncement is effective for financial statements issued for annual periods beginning after December 15, 2017 and interim periods within those annual periods with earlier application permitted as of the beginning of the fiscal year of adoption. The Company is evaluating the impact that this new guidance will have on the Company's Financial Statements.

In November 2015, the FASB issued ASU 2015-17 which simplifies the presentation of deferred income taxes in a classified statement of financial position. Current generally accepted accounting principles (GAAP) require an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. ASU 2015-17 amends current GAAP to require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This pronouncement is effective for financial statements issued for annual periods beginning after December 15, 2016 and interim periods within those annual periods with earlier application permitted as of the beginning of an interim or annual reporting period. The Company does not expect this new guidance to have a material impact on the Company's Financial Statements.

In August 2015, the FASB issued ASU 2015-13 which clarifies the Normal Purchases and Normal Sales scope exception to certain electricity contracts. ASU 2015-13 specifies that the use of locational marginal pricing by an independent system operator does not constitute net settlement of a contract. This pronouncement is effective upon its issuance. The Company has adopted this new guidance and it had no impact on the Company's Financial Statements.

In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The effective date of this pronouncement is for fiscal years beginning after December 15, 2017 with early adoption permitted as of the original effective date. The Company is evaluating the impact that this new guidance will have on the Company's Financial Statements.

In July 2015, the FASB issued ASU 2015-11 which provides authoritative guidance requiring inventory to be measured at the lower of cost or net realizable value. The new guidance defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Current guidance requires inventory to be measured at the lower

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

of cost or market where market could be replacement cost, net realizable value or net realizable value less an approximately normal profit margin. This pronouncement is effective for periods beginning after December 15, 2016 with early adoption permitted. The guidance is required to be applied prospectively. The Company does not expect this new guidance to have a material impact on the Company's Financial Statements.

In May 2015, the FASB issued ASU 2015-07 which provides authoritative guidance removing the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Investments measured at net asset value per share using the practical expedient will be presented as a reconciling item between the fair value hierarchy disclosure and the investment line item on the statement of financial position. The guidance also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using the practical expedient. The guidance is effective for fiscal years beginning after December 15, 2015 with early adoption permitted. The guidance is required to be applied retrospectively to all periods presented. The Company does not expect this new guidance to have a material impact on the Company's Financial Statements.

In April 2015, the FASB issued ASU 2015-03 which requires entities to present debt issuance costs related to a debt liability as a direct deduction from the carrying amount of that debt liability on the balance sheet as opposed to being presented as a deferred charge. ASU 2015-03 does not contain guidance for debt issuance costs related to line-of-credit arrangements. Consequently, in August 2015, the FASB issued ASU 2015-15 to add paragraphs indicating that the SEC staff would not object to an entity deferring and presenting debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The effective date of these pronouncements is for fiscal years beginning after December 15, 2015, with early adoption permitted. The Company does not expect this new guidance to have a material impact on the Company's Financial Statements.

Other than the pronouncements discussed above, there are no recently issued pronouncements that the Company has not already adopted or that have a material impact on the Company.

Subsequent Events – The Company has evaluated all events or transactions through April 1, 2016, the date the Financial Statements were available to be issued. During this period, the Company did not have any material subsequent events that impacted its Financial Statements.

Reclassifications – Certain reclassifications of prior year data were made in the accompanying Financial Statements. These reclassifications were made to conform to the current year presentation.

NOTE 2: DEBT AND FINANCING ARRANGEMENTS

Long-Term Debt and Interest Expense

Substantially all the property of the Company is subject to liens of indenture under which First Mortgage Bonds (FMB) have been issued. Certain of the Company's long-term debt agreements contain provisions, which, among other things, limit the incursion of additional long-term debt. In order to issue new FMB securities, the customary covenants of the existing Unitil Energy Indenture Agreement must be met, including that Unitil Energy have sufficient available net bondable plant to issue the securities and projected earnings available for interest charges equal to at least two times the annual interest requirement. The Unitil Energy agreements further require that if Unitil Energy defaults on any Unitil Energy FMB securities, it would constitute a default for all Unitil Energy FMB securities. The Unitil Energy

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

default provisions are not triggered by the actions or defaults of other companies owned by Unitil Corporation. The Unitil Energy Indenture Agreement contains covenants restricting the ability of the Company to incur additional liens and to enter into sale and leaseback transactions, and restricting the ability of the Company to consolidate with, to merge with or into or to sell or otherwise dispose of all or substantially all of its assets.

Details of long-term debt at December 31, 2015 and 2014 are shown below:

Long-term Debt (\$ millions)	December 31,	
	2015	2014
First Mortgage Bonds:		
5.24% Series, Due March 2, 2020	\$ 15.0	\$ 15.0
8.49% Series, Due October 14, 2024	12.0	15.0
6.96% Series, Due September 1, 2028	20.0	20.0
8.00% Series, Due May 1, 2031	15.0	15.0
6.32% Series, Due September 15, 2036	15.0	15.0
Total	\$ 77.0	\$ 80.0

The aggregate amount of bond repayment requirements is \$1.5 million in each of 2016 and 2017; \$6.5 million in 2018; \$8.5 million in each of 2019 and 2020; and \$50.5 million thereafter.

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities. The fair value of the Company's long-term debt at December 31, 2015 is estimated to be approximately \$84.3 million, before considering any costs, including prepayment costs, to market the Company's debt. Currently, management believes that there is no active market in the Company's debt securities, which have all been sold through private placements. If there were an active market for the Company's debt securities, the fair value of the Company's long-term debt would be estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities. The fair value of the Company's long-term debt is estimated using Level 2 inputs (valuations based on quoted prices available in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are directly observable, and inputs derived principally from market data.) In estimating the fair value of the Company's long-term debt, the assumed market yield reflects the Moody's Baa Utility Bond Average Yield. Costs, including prepayment costs, associated with the early settlement of long-term debt are not taken into consideration in determining fair value.

Credit Arrangements

Unitil Energy's short-term borrowings are presently provided under a cash pooling and loan agreement between Unitil Corporation and its subsidiaries. Under the existing pooling and loan agreement, Unitil Corporation borrows, as required, from its banks on behalf of its subsidiaries. At December 31, 2015, Unitil Corporation had unsecured committed bank lines of credit for short-term debt aggregating \$120 million. The weighted average interest rates on all short-term borrowings were 1.5%, 1.6% and 1.8% during 2015, 2014 and 2013, respectively. Unitil Energy had short-term debt outstanding through bank borrowings of approximately \$8.8 million and \$10.8 million at December 31, 2015 and December 31, 2014, respectively.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

Leases

The Company leases some of its vehicles, machinery and office equipment under operating lease arrangements. The following is a schedule of future operating lease payment obligations as of December 31, 2015:

Year Ending December 31 (\$000's)	
2016	\$ 361
2017	274
2018	129
2019	88
2020	65
2021 - 2025	<u>54</u>
Total Future Operating Lease Payments	<u>\$ 971</u>

Total rental expense charged to operations for the years ended December 31, 2015, 2014 and 2013 amounted to \$485,000, \$376,000 and \$324,000, respectively.

NOTE 3: RESTRICTION ON DIVIDENDS

Under the terms of the Indenture of Mortgage and Deed of Trust and the supplemental indentures thereto relating to Unitil Energy's First Mortgage Bonds, \$50.8 million was available for dividends and similar distributions at December 31, 2015. Common dividends declared by Unitil Energy are paid exclusively to Unitil Corporation.

NOTE 4: NON-REDEEMABLE, NON-CUMULATIVE PREFERRED STOCK

The 6% Non-Redeemable, Non-Cumulative Preferred Stock ranks senior to Common Stock and the holders thereof are entitled in liquidation to receive \$100 per share, plus accrued dividends. At December 31, 2015, the liquidation value of the Company's Preferred Stock was \$0.2 million.

NOTE 5: ENERGY SUPPLY

Electric Supply:

The restructuring of the electric utility industry in New Hampshire required the divestiture of the Company's power supply arrangements and the procurement of replacement supplies, which provided the flexibility for migration of customers to and from utility energy service. Unitil Energy, and Unitil Power each are members of the New England Power Pool (NEPOOL) and participate in the Independent System Operator New England, Inc. (ISO-NE) markets for the purpose of facilitating these wholesale electric power supply transactions, which are necessary to serve the Company's customers.

As a result of restructuring of the electric utility industry in New Hampshire, Unitil Energy's customers have the opportunity to purchase their electric supply from competitive third-party energy suppliers. As of December 2015, 79% of the Company's largest customers, representing 26% of total electric energy sales are purchasing their electric power supply in the competitive market. The number of residential customers purchasing from a third party supplier has increased more than tenfold in the past three years and stands at 13% of residential customers. Notwithstanding this activity, most residential and small commercial

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

customers continue to purchase their electric supply through the Company under regulated energy rates and tariffs.

Regulated Electric Power Supply

In order to provide regulated electric supply service to their customers, the Company enters into load-following wholesale electric power supply contracts with various wholesale suppliers.

The Company currently has power supply contracts with various wholesale suppliers for the provision of Default Service to its customers. Currently, with approval of the NHPUC, the Company purchases Default Service power supply contracts for small, medium and large customers every six months for 100% of the supply requirements.

The NHPUC regularly reviews alternatives to their procurement policy, which may lead to future changes in this regulated power supply procurement structure.

Regional Electric Transmission and Power Markets

Unitil Energy and Unitil Power, as well as virtually all New England electric utilities, are participants in the ISO-NE markets. ISO-NE is the Regional Transmission Organization (RTO) in New England. The purpose of ISO-NE is to assure reliable operation of the bulk power system in the most economic manner for the region. Substantially all operation and dispatching of electric generation and bulk transmission capacity in New England is performed on a regional basis. The ISO-NE tariff imposes generating capacity and reserve obligations, and provides for the use of major transmission facilities and support payments associated therewith. The most notable benefits of the ISO-NE are coordinated power system operation in a reliable manner and a supportive business environment for the development of competitive electric markets.

Electric Power Supply Divestiture

In connection with the restructuring of the electric industry in New Hampshire, the Company divested and sold substantially all of its power supply portfolios consisting of long-term power supply contracts. The Company recovers in its rates all the costs associated with this divestiture and sale and has secured regulatory approval from the NHPUC for the recovery of stranded costs, including long term contract buyout agreements, and other restructuring-related regulatory assets. The Company has a continuing obligation to submit regulatory filings that demonstrate its compliance with regulatory mandates and provides for timely recovery of costs in accordance with its approved restructuring plan.

NOTE 6: COMMITMENTS AND CONTINGENCIES

Regulatory Matters - Overview - Unitil Energy delivers electricity to all of its customers in the Company's service territory, at rates established under traditional cost of service regulation. Under this regulatory structure, Unitil Energy recovers the cost of providing distribution service to its customers based on a representative test year, in addition to earning a return on its capital investment in utility assets. As a result of a restructuring of the utility industry in New Hampshire the Company's customers have the opportunity to purchase their electric supplies from third-party suppliers. Most small and medium-sized customers, however, continue to purchase such supplies through Unitil Energy as the provider of default service energy supply. Unitil Energy purchases electricity for default service from unaffiliated wholesale suppliers and recovers the actual costs of these supplies, without profit or markup, through reconciling, pass-through rate mechanisms that are periodically adjusted.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

In connection with the implementation of retail choice, Unitil Power divested its long-term power supply contracts through the sale of the entitlements to the electricity sold under those contracts. Unitil Energy recovers in its rates all the costs associated with the divestiture of Unitil Power's power supply portfolio and has secured regulatory approval from the NHPUC for the recovery of power supply-related stranded costs. As of December 31, 2015, the obligations related to these divestitures were \$1.9 million and are recorded in Energy Supply Obligations on the Company's Balance Sheets with corresponding regulatory assets recorded in Accrued Revenue (current portion of \$0.3 million) and Regulatory Assets (long-term portion of \$1.6 million). The Company has a continuing obligation to submit filings that demonstrate its compliance with regulatory mandates and provide for timely recovery of costs in accordance with its approved restructuring plan. Unitil Energy does not earn carrying charges on these regulatory assets as the timing of cash receipts and cash disbursements associated with these long-term obligations is matched through rates.

Unitil Energy provides electric distribution service to its customers pursuant to rates approved by the NHPUC. See "Base Rates" below for a discussion of the Company's current rates. As the provider of last resort, Unitil Energy also provides its customers with electric power through Default Service at rates which reflect Unitil Energy's costs for wholesale supply with no profit or markup. Unitil Energy procures Default Service power for its larger commercial and industrial customers on a quarterly basis, and for its smaller commercial and residential customers through a portfolio of longer term contracts procured on a semi-annual basis. Unitil Energy recovers its costs for this service on a pass-through basis through reconciling rate mechanisms. As of December 31, 2015, approximately 52% of Unitil Energy's electric load was served by Default Service. The remaining portion was served by competitive third party suppliers. The vast majority of customers being served by competitive third party suppliers are large C&I customers. Most residential and small commercial customers continue to purchase their electric supply through the distribution utility.

Base Rates - On April 26, 2011, the NHPUC approved a rate settlement that extends through May 1, 2016 and provides for a long-term rate plan and earnings sharing mechanism, with a series of step adjustments to increase revenue in future years to support Unitil Energy's continued capital improvements to its distribution system. The third and final step increase of \$1.5 million in annual revenue was effective May 1, 2014.

Major Storms

On April 25, 2013, the NHPUC approved the recovery of \$2.3 million of costs to repair damage to Unitil Energy's electrical system resulting from Superstorm Sandy over a five-year period, with carrying charges at the Company's long-term cost of debt, net of deferred taxes, or 4.52%, applied to the uncollected balance through the recovery period.

Thanksgiving 2014 Snow Storm - Unitil Energy experienced a significant snow storm that began the afternoon of November 26, 2014 and ended the morning of November 27, 2014, Thanksgiving Day. Unitil Energy spent approximately \$2.1 million for the repair and replacement of electric distribution systems damaged during the storm, including \$0.4 million related to capital construction and \$1.7 million for which the Company will seek recovery of through its approved storm reserve fund, subject to review by the NHPUC in a future regulatory proceeding. The Company does not believe these storm restoration expenditures and the timing of cost recovery will have a material adverse impact on the Company's financial condition or results of operations.

NHPUC Energy Efficiency Resource Standard Proceeding—On May 8, 2015, the NHPUC issued an order of notice commencing a proceeding to establish an Energy Efficiency Resource Standard, an energy

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

efficiency policy with specific targets or goals for energy savings that New Hampshire electric and gas utilities must meet. In this proceeding the Commission will define the savings targets and address issues related to public and private funding; program cost recovery; lost-revenue recovery (e.g. decoupling); performance-based incentives and penalties; program administration; and evaluation, measurement, and verification. Initial comments were filed by interested parties on December 9, 2015, and the matter remains pending.

Litigation - The Company is involved in legal and administrative proceedings and claims of various types, which arise in the ordinary course of business. The Company believes, based upon information furnished by counsel and others, that the ultimate resolution of these claims will not have a material impact on its financial position, operating results or cash flows.

Market Risk - Although the Company is subject to commodity price risk as part of its traditional operations, the current regulatory framework within which the Company operates allows for full collection of approved fuel costs in rates. Consequently, there is limited commodity price risk after consideration of the related rate-making. Additionally, as discussed above in Regulatory Matters, the Company has divested its commodity-related contracts and therefore, has further reduced its exposure to commodity risk.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

NOTE 7: INCOME TAXES

Provisions for Federal and State Income Taxes reflected as operating expenses in the accompanying consolidated statements of earnings for the years ended December 31, 2015, 2014 and 2013 are shown in the table below:

	(\$000's)		
	2015	2014	2013
Current Federal Tax Provision			
Operating Income	\$ 3,089	\$ 813	\$ ---
Current (Benefit) of Operating Loss Carryforwards	(3,089)	(813)	---
Total Current Federal Tax Provision	---	---	---
Deferred Federal Tax Provision			
Utility Plant Differences	1,382	4,568	10,183
Net Operating Loss Carryforwards / (Carrybacks)	3,915	(886)	(3,978)
Regulatory Assets and Liabilities	(1,749)	(508)	(2,848)
Other, net	26	(56)	(34)
Total Deferred Federal Tax Provision	3,574	3,119	3,323
Total Federal Tax Provision	3,574	3,119	3,323
State			
Current	1,020	(1,421)	(1)
Deferred	(15)	2,276	838
Total State Tax Provision	1,005	855	837
Total Provision for Federal and State Income Taxes	\$ 4,579	\$ 3,974	\$ 4,160

The differences between the Company's provisions for Income Taxes and the provisions calculated at the statutory federal tax rate, expressed in percentages, are shown below:

	2015	2014	2013
Statutory Federal Income Tax Rate	34%	34%	34%
Income Tax Effects of:			
State Income Taxes, net	6	6	5
Utility Plant Differences	(1)	---	1
Effective Income Tax Rate	39%	40%	40%

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

Temporary differences which gave rise to current deferred tax assets and liabilities in 2015 and 2014, are shown below:

Current Deferred Income Taxes (000's)	2015	2014
Accrued Revenue, Current Portion	\$ (1,451)	\$ (998)
Other, net	318	163
Total Current Deferred Income Tax (Assets) Liabilities	\$ (1,133)	\$ (835)

Temporary differences which gave rise to noncurrent deferred tax assets and liabilities in 2015 and 2014, are shown below:

Noncurrent Deferred Income Taxes (000's)	2015	2014
Utility Plant Differences	\$ 40,914	\$ 40,168
Net Operating Loss Carryforwards	(1,303)	(5,194)
Regulatory Assets & Liabilities	3,990	5,242
Retirement Benefit Obligations	(17,426)	(15,873)
Other, net	162	400
Total Noncurrent Deferred Income Tax Liabilities	\$ 26,337	\$ 24,743

The Company evaluated its tax positions at December 31, 2015 in accordance with the FASB Codification, and has concluded that no adjustment for recognition, derecognition, settlement and foreseeable future events to any unrecognized tax liabilities or assets as defined by the FASB Codification is required. The Company does not have any unrecognized tax positions for which it is reasonably possible that the total amounts recognized will significantly change within the next 12 months. The Company accounts for income taxes in accordance with the FASB Codification guidance on Income Taxes which requires an asset and liability approach for the financial accounting and reporting of income taxes. Significant judgments and estimates are required in determining the current and deferred tax assets and liabilities. The Company's deferred tax assets and liabilities reflect its best assessment of estimated future taxes to be paid. Periodically, the Company assesses the realization of its deferred tax assets and liabilities and adjusts the income tax provision, the current tax liability and deferred taxes in the period in which the facts and circumstances which gave rise to the revision become known. The Company recorded no interest on tax items for the years ended December 31, 2015, 2014 and 2013.

In total at December 31, 2015, the Company had recorded federal net operating loss (NOL) carryforward assets of \$1.3 million to offset against taxes payable in future periods. If unused, the Company's federal NOL carryforward assets will begin to expire in 2029.

The Company remains subject to examination by New Hampshire tax authorities for the tax periods ended December 31, 2012; December 31, 2013; and December 31, 2014. Income tax filings for the year ended December 31, 2014 have been filed with the New Hampshire Department of Revenue Administration.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

NOTE 8: RETIREMENT BENEFIT OBLIGATIONS

The Company co-sponsors the following retirement benefit plans to provide certain pension and postretirement benefits for its retirees and current employees as follows:

- The Unitil Corporation Retirement Plan (Pension Plan) - The Pension Plan is a defined benefit pension plan. Under the Pension Plan, retirement benefits are based upon an employee's level of compensation and length of service.
- The Unitil Retiree Health and Welfare Benefits Plan (PBOP Plan)—The PBOP Plan provides health care and life insurance benefits to retirees. The Company has established Voluntary Employee Benefit Trusts (VEBT), into which it funds contributions to the PBOP Plan.
- The Unitil Corporation Supplemental Executive Retirement Plan (SERP)—The SERP is a non-qualified retirement plan, with participation limited to executives selected by the Board of Directors.

The following table includes the key assumptions used in determining the Company's benefit plan costs and obligations:

Used to Determine Plan costs for years ended December 31:	2015	2014	2013
Discount Rate	4.00%	4.80%	4.00%
Rate of Compensation Increase	3.00%	3.00%	3.00%
Expected Long-term Rate of Return on Plan Assets	8.00%	8.00%	8.50%
Health Care Cost Trend Rate Assumed for Next Year	7.00%	8.00%	8.00%
Ultimate Health Care Cost Trend Rate	4.00%	4.00%	4.00%
Year that Ultimate Health Care Cost Trend Rate is reached	2018	2018	2017
Effect of 1% Increase in Health Care Cost Trend Rate (\$000's)	\$ 355	\$ 249	\$ 296
Effect of 1% Decrease in Health Care Cost Trend Rate (\$000's)	\$ (267)	\$ (199)	\$ (227)
Used to Determine Benefit Obligations at December 31:	2015	2014	2013
Discount Rate	4.30%	4.00%	4.80%
Rate of Compensation Increase	3.00%	3.00%	3.00%
Health Care Cost Trend Rate Assumed for Next Year	7.00%	7.00%	8.00%
Ultimate Health Care Cost Trend Rate	4.00%	4.00%	4.00%
Year that Ultimate Health care Cost Trend Rate is reached	2022	2018	2018
Effect of 1% Increase in Health Care Cost Trend Rate (\$000's)	\$ 4,508	\$ 3,570	\$ 2,457
Effect of 1% Decrease in Health Care Cost Trend Rate (\$000's)	\$(3,543)	\$(2,803)	\$(1,992)

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

The Discount Rate assumptions used in determining retirement plan costs and retirement plan obligations are based on an assessment of current market conditions using high quality corporate bond interest rate indices and pension yield curves. The Rate of Compensation Increase assumption used in each of 2015, 2014 and 2013 was 3.00%, based on the expected long-term increase in compensation costs for personnel covered by the plans.

The following table provides the components of the Company's retirement plan costs (\$000's):

	Pension Plan			PBOP Plan			SERP		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Service Cost	\$ 1,068	\$ 881	\$ 1,111	\$ 610	\$ 480	\$ 621	\$ 37	\$ 18	\$ 23
Interest Cost	2,054	2,011	1,836	810	789	704	100	86	77
Expected Return on Plan Assets	(2,589)	(2,465)	(2,396)	(296)	(290)	(248)	---	---	---
Prior Service Cost Amortization	3	(3)	(7)	487	488	488	26	4	4
Actuarial Loss Amortization	2,017	1,343	1,912	243	6	138	99	32	58
Sub-total	2,553	1,767	2,456	1,854	1,473	1,703	262	140	162
Amounts Capitalized and Deferred	(1,285)	(895)	(1,226)	(930)	(760)	(829)	---	---	---
NPBC Recognized	\$ 1,268	\$ 872	\$ 1,230	\$ 924	\$ 713	\$ 874	\$ 262	\$ 140	\$ 162

The estimated amortization related to Actuarial Loss and Prior Service Cost included in the Company's retirement plan costs or as a reduction of regulatory assets over the next fiscal year are \$1.8 million, \$0.9 million and \$0.2 million for the Pension, PBOP and SERP plans, respectively.

The following table represents information on the plans' assets, projected benefit obligations (PBO), and funded status (\$000's):

	Pension Plan		PBOP Plan		SERP	
	2015	2014	2015	2014	2015	2014
Change in Plan Assets:						
Plan Assets at Beginning of Year	\$ 35,551	\$ 34,851	\$ 4,083	\$ 3,944	\$ ---	\$ ---
Actual Return on Plan Assets	(917)	1,141	(220)	143	---	---
Employer Contributions	1,330	1,135	926	769	12	14
Participant Contributions	---	---	12	8	---	---
Benefits Paid	(1,769)	(1,576)	(979)	(781)	(12)	(14)
Plan Assets at End of Year	\$ 34,195	\$ 35,551	\$ 3,822	\$ 4,083	\$ ---	\$ ---

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

Change in PBO:

PBO at Beginning of Year	\$ 56,782	\$ 47,333	\$ 23,069	\$ 19,203	\$ 2,854	\$ 2,314
Service Cost	1,068	881	610	480	37	18
Interest Cost	2,054	2,011	810	789	100	86
Participant Contributions	---	---	12	8	---	---
Plan Amendments	---	---	---	---	185	---
Benefits Paid	(1,769)	(1,576)	(979)	(781)	(12)	(14)
Actuarial (Gain) or Loss	(2,222)	8,133	2,826	3,370	(108)	450
PBO at End of Year	\$ 55,913	\$ 56,782	\$ 26,348	\$ 23,069	\$ 3,056	\$ 2,854
Funded Status: Assets vs PBO	\$ (21,718)	\$ (21,231)	\$ (22,526)	\$ (18,986)	\$ (3,056)	\$ (2,854)

The funded status of the Pension, PBOP and SERP Plans is calculated based on the difference between the benefit obligation and the fair value of plan assets and is recorded on the balance sheets as an asset or a liability. Because the Company recovers the retiree benefit costs from customers through rates, regulatory assets are recorded in lieu of an adjustment to Accumulated Other Comprehensive Income/(Loss).

The Company has recorded on its Balance Sheets a liability for the underfunded status of its retirement benefit obligations based on the projected benefit obligation. The Company has recognized Regulatory Assets, net of tax, of \$24.7 million and \$23.5 million at December 31, 2015 and 2014, respectively, to recognize the future collection of these plan obligations in electric rates.

The Accumulated Benefit Obligation (ABO) is required to be disclosed for all plans where the ABO is in excess of plan assets. The difference between the PBO and the ABO is that the PBO includes projected compensation increases. The ABO for the Pension Plan was \$50.5 million and \$50.9 million as of December 31, 2015 and 2014, respectively. The ABO for the SERP was \$2.3 million and \$2.2 million as of December 31, 2015 and 2014, respectively. For the PBOP Plan, the ABO and PBO are the same.

The Company expects to continue to make contributions to its Pension Plan in 2016 and future years at minimum required and discretionary funding levels consistent with the amounts recovered in rates for these Pension Plan costs.

The following table represents employer contributions, participant contributions and benefit payments (\$000's).

	Pension Plan			PBOP Plan			SERP		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Employer Contributions	\$ 1,330	\$ 1,135	\$ 1,138	\$ 926	\$ 769	\$ 893	\$ 12	\$ 14	\$ 15
Participant Contributions	\$ ---	\$ ---	\$ ---	\$ 12	\$ 8	\$ 7	\$ ---	\$ ---	\$ ---
Benefit Payments	\$ 1,769	\$ 1,576	\$ 1,566	\$ 979	\$ 781	\$ 784	\$ 12	\$ 14	\$ 15

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

The following table represents estimated future benefit payments (\$000's).

Estimated Future Benefit Payments				
	Pension	PBOP	SERP	
2016	\$ 2,014	\$ 831	\$ 130	
2017	2,091	860	128	
2018	2,180	917	127	
2019	2,302	961	145	
2020	2,362	1,001	143	
2021 - 2025	\$ 13,772	\$ 5,915	\$ 922	

The Expected Long-Term Rate of Return on Pension Plan assets assumption used by the Company is developed based on input from actuaries and investment managers. The Company's Expected Long-Term Rate of Return on Pension Plan assets is based on target investment allocation of 47% in common stock equities, 37% in fixed income securities, 10% in real estate securities and 6% in a combined equity and debt fund. The Company's Expected Long-Term Rate of Return on PBOP Plan assets is based on target investment allocation of 55% in common stock equities and 45% in fixed income securities. The actual investment allocations are shown in the tables below.

Pension Plan	Target Allocation	Actual Allocation at December 31,		
	2016	2015	2014	2013
Equity Funds	47%	46%	49%	54%
Debt Funds	37%	37%	36%	32%
Real Estate Fund	10%	11%	10%	1%
Asset Allocation Fund ⁽¹⁾	6%	6%	5%	5%
Other ⁽²⁾	0%	0%	0%	8%
Total		100%	100%	100%

(1) Represents investments in an asset allocation fund. This fund invests in both equity and debt securities.

(2) Represents investments being held in cash equivalents as of December 31, 2013 pending transfer into a Real Estate Fund.

PBOP Plan	Target Allocation	Actual Allocation at December 31,		
	2016	2015	2014	2013
Equity Funds	55%	53%	56%	57%
Debt Funds	45%	47%	44%	43%
Total		100%	100%	100%

The combination of these target allocations and expected returns resulted in the overall assumed long-term rate of return of 8.00% for 2015. The assumed long-term rate of return for 2016 is 8.00%. The Company evaluates the actuarial assumptions, including the expected rate of return, at least annually. The desired investment objective is a long-term rate of return on assets that is approximately 5 – 6% greater than the assumed rate of inflation as measured by the Consumer Price Index. The target rate of return for the Plans has been based upon an analysis of historical returns supplemented with an economic and structural review for each asset class.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014. Please also see Note 1 for a discussion of the Company's fair value accounting policy.

Equity, Fixed Income, Index and Asset Allocation Funds

These investments are valued based on quoted prices from active markets. These securities are categorized in Level 1 as they are actively traded and no valuation adjustments have been applied.

Cash Equivalents

These investments are valued at cost, which approximates fair value, and are categorized in Level 1.

Real Estate Fund

These investments are valued at net asset value (NAV) per unit based on a combination of market- and income-based models utilizing market discount rates, projected cash flows and the estimated value into perpetuity and are categorized in Level 3.

Assets measured at fair value on a recurring basis for the Pension Plan as of December 31, 2015 and 2014 are as follows (\$000's):

Fair Value Measurements at Reporting Date Using					
Description	Balance as of December 31,	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2015					
Pension Plan Assets:					
Equity Funds	\$ 15,735	\$ 15,735	\$ ---	\$ ---	
Fixed Income Funds	12,625	12,625	---	---	
Asset Allocation Fund	2,168	2,168	---	---	
Real Estate Fund	3,667	---	---	---	3,667
Total Assets	\$ 34,195	\$ 30,528	\$ ---	\$ ---	3,667
2014					
Pension Plan Assets:					
Equity Funds	\$ 17,524	\$ 17,524	\$ ---	\$ ---	
Fixed Income Funds	12,761	12,761	---	---	
Asset Allocation Fund	1,917	1,917	---	---	
Real Estate Fund	3,349	---	---	---	3,349
Total Assets	\$ 35,551	\$ 32,202	\$ ---	\$ ---	3,349

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

The following tables set forth additional disclosures of Pension Plan investments whose fair value is estimated using net asset value per share as of December 31, 2015 and 2014 (\$000's):

Description	Fair Value Estimated Using NAV Per Share			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
December 31, 2015				
SEI Core Property Collective Investment Trust Fund ⁽¹⁾	\$ 3,667	\$ ---	Quarterly	65 days
December 31, 2014				
SEI Core Property Collective Investment Trust Fund ⁽¹⁾	\$ 3,349	\$ ---	Quarterly	65 days

⁽¹⁾ The SEI Core Property Collective Investment Trust Fund, through the SEI Core Property Fund, seeks both current income and long-term capital appreciation through investing in underlying funds that acquire, manage, and dispose of commercial real estate properties.

The table below sets forth a summary of changes in the fair value of the Pension Plan's Level 3 assets for the years ended December 31, 2015 and 2014 (\$000's):

Level 3 Assets – SEI Core Property Collective Investment Trust Fund		
	December 31,	
	2015	2014
Beginning Balance	\$ 3,349	\$ 475
Actual Return on Investments:		
Related to Investments Held at Year-End	318	183
Related to Investments Sold During the Year	---	---
Total Return on Investments	318	183
Purchases, Sales and Settlements	---	2,691
Ending Balance	\$ 3,667	\$ 3,349

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

Assets measured at fair value on a recurring basis for the PBOP Plan as of December 31, 2015 and 2014 are as follows (\$000's):

Fair Value Measurements at Reporting Date Using					
Description	Balance as of December 31,	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2015					
PBOP Plan Assets:					
Mutual Funds:					
Fixed Income Funds	\$ 1,785	\$ 1,785	\$ ---	\$ ---	
Equity Funds	2,037	2,037	---	---	
Total Assets	\$ 3,822	\$ 3,822	\$ ---	\$ ---	
2014					
PBOP Plan Assets:					
Mutual Funds:					
Fixed Income Funds	\$ 1,800	\$ 1,800	\$ ---	\$ ---	
Index Funds	1,690	1,690	---	---	
Equity Funds	593	593	---	---	
Total Assets	\$ 4,083	\$ 4,083	\$ ---	\$ ---	

Employee 401(k) Tax Deferred Savings Plan --- The Company co-sponsors the Unitil Corporation Tax Deferred Savings and Investment Plan (the 401(k) Plan) under Section 401(k) of the Internal Revenue Code and covering substantially all of the Company's employees. Participants may elect to defer current compensation by contributing to the plan. Employees may direct, at their sole discretion, the investment of their savings plan balances (both the employer and employee portions) into a variety of investment options, including a Company common stock fund.

The Company's share of contributions to the 401(k) Plan was \$575,000, \$538,000 and \$496,000 for the years ended December 31, 2015, 2014, and 2013, respectively.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

NOTE 9: OPERATING REVENUES AND SALES MARGIN (unaudited)

Operating Revenues and Sales Margin – The following table details Operating Revenue and Sales Margin for the last three years:

Operating Revenues (\$ millions)

	Change						
	2015	2014	2013	2015 vs. 2014		2014 vs. 2013	
				\$	%	\$	%
Operating Revenue	\$ 154.7	\$ 151.0	\$ 136.5	\$ 3.7	2.5%	\$ 14.5	10.6%
Cost of Electric Sales	\$ 97.1	\$ 95.9	\$ 82.5	\$ 1.2	1.3%	\$ 13.4	16.2%
Sales Margin	\$ 57.6	\$ 55.1	\$ 54.0	\$ 2.5	4.5%	\$ 1.1	2.0%

The Company analyzes operating results using Sales Margin, a non-GAAP measure. Sales Margin is calculated as Operating Revenues less Cost of Electric Sales. The Company believes Sales Margin is a better measure to analyze profitability than Operating Revenues because the approved cost of sales are tracked costs that are passed through directly to the customer resulting in an equal and offsetting amount reflected in Operating Revenues. Sales Margin can be reconciled to Operating Income, a GAAP measure, by including Operation and Maintenance, Depreciation and Amortization and Taxes Other Than Income Taxes.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

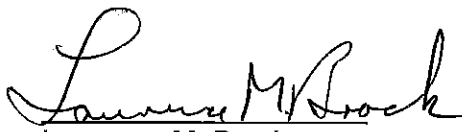
UNITIL ENERGY SYSTEMS, INC.
For the Period Ended December 31, 2016

UNITIL ENERGY SYSTEMS, INC.

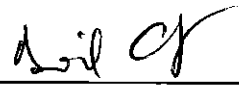
CERTIFICATION TO NOTEHOLDERS

I hereby certify that the accompanying Balance Sheets as of December 31, 2016 and December 31, 2015, Statements of Earnings for the years ended December 31, 2016, 2015 and 2014, Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014, and Statements of Changes in Shareholder's Equity for the years ended December 31, 2016, 2015 and 2014, were, to the best of my knowledge and belief, properly prepared and are correct.

I further certify that I have reviewed the provisions of the Unitil Energy System Inc.'s Bond Purchase Agreements, and to the best of my knowledge and belief the Company was, and remains in compliance with the provisions of these Agreements and no Event of Default exists or occurred during the period of the financial statements ending December 31, 2016 and up to the date of this certification.



Laurence M. Brock
Controller



David Chong
Treasurer

March 17, 2017



Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116-5022
USA
Tel: + 1 617 437 2000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Unitil Energy Systems, Inc.
Hampton, NH

We have audited the accompanying financial statements of Unitil Energy Systems, Inc. (the "Company") (a wholly-owned subsidiary of Unitil Corporation), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of earnings, changes in shareholder's equity, and cash flows for each of the three years in the period ended December 31, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Unitil Energy Systems, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended

December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying financial statements have been prepared from the separate records maintained by Unitil Corporation and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had been operated as an unaffiliated company. Portions of certain income and expenses represent allocations made from the Company's parent applicable to the Company's parent as a whole.

Deloitte & Touche LLP

Boston, MA
March 17, 2017

UNITIL ENERGY SYSTEMS, INC.
STATEMENTS OF EARNINGS
(\$ in Millions)

	Year Ended December 31,		
	2016	2015	2014
Operating Revenues	\$ 132.2	\$ 154.7	\$ 151.0
Operating Expenses:			
Cost of Electric Sales	75.5	97.1	95.9
Operation and Maintenance	21.0	21.0	20.4
Depreciation and Amortization	14.1	14.1	13.6
Taxes Other Than Income Taxes	5.8	5.2	5.4
Total Operating Expenses	116.4	137.4	135.3
Operating Income	15.8	17.3	15.7
Interest Expense	5.8	6.1	6.2
Other (Income) Expense, net	(0.7)	(0.6)	(0.5)
Income Before Income Taxes	10.7	11.8	10.0
Income Taxes	3.9	4.6	4.0
Net Income Applicable to Common Stock	\$ 6.8	\$ 7.2	\$ 6.0

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
BALANCE SHEETS
(\$ in Millions)

	December 31,	
	2016	2015
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 2.7	\$ 2.3
Accounts Receivable – Net of Allowance for Doubtful Accounts of \$0.5 and \$0.5	15.6	15.6
Accrued Revenue	14.0	14.2
Due from Affiliates	2.5	1.7
Materials and Supplies	1.1	0.9
Prepayments and Other	1.9	1.6
Total Current Assets	37.8	36.3
Utility Plant:		
Electric	294.4	272.8
Construction Work in Progress	16.6	17.4
Utility Plant	311.0	290.2
Less: Accumulated Depreciation	92.1	86.7
Net Utility Plant	218.9	203.5
Other Noncurrent Assets:		
Regulatory Assets	34.2	32.8
Other Assets	0.8	0.9
Total Other Noncurrent Assets	35.0	33.7
TOTAL ASSETS	\$ 291.7	\$ 273.5

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
BALANCE SHEETS
(\$ in Millions, except par value and shares data)

	December 31,	
	2016	2015
LIABILITIES AND CAPITALIZATION:		
Current Liabilities:		
Accounts Payable	\$ 12.1	\$ 11.9
Short-Term Debt	16.8	8.8
Long-Term Debt, Current Portion	1.4	1.4
Energy Supply Obligations	1.9	1.9
Regulatory Liabilities	3.9	4.9
Taxes Payable	0.2	1.1
Other Current Liabilities	6.7	4.6
Total Current Liabilities	43.0	34.6
Noncurrent Liabilities:		
Energy Supply Obligations	1.3	1.6
Deferred Income Taxes	26.6	25.2
Cost of Removal Obligations	14.1	12.3
Retirement Benefit Obligations	55.2	47.2
Other Noncurrent Liabilities	0.5	0.6
Total Noncurrent Liabilities	97.7	86.9
Capitalization:		
Long-term Debt, Less Current Portion	71.6	74.5
Stockholders' Equity:		
Common Stock, No Par Value		
Authorized - 250,000 shares		
Issued and Outstanding - 131,746 shares	42.4	42.4
Retained Earnings	36.8	34.9
Total Stockholders' Equity	79.2	77.3
Preferred Stock:		
Preferred Stock, Non-Redeemable, Non-Cumulative:		
6.00% Series, \$100 Par Value	0.2	0.2
Total Stockholders' Equity	79.4	77.5
Total Capitalization	151.0	152.0
Commitments and Contingencies (Note 6)		
TOTAL LIABILITIES AND CAPITALIZATION	\$ 291.7	\$ 273.5

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
(\$ in Millions)

	Year Ended December 31,		
	2016	2015	2014
Operating Activities:			
Net Income	\$ 6.8	\$ 7.2	\$ 6.0
Adjustments to Reconcile Net Income to			
Cash Provided by Operating Activities:			
Depreciation and Amortization	14.1	14.1	13.6
Deferred Tax Provision	3.9	3.6	5.4
Changes in Working Capital:			
Accounts Receivable	---	1.2	(4.3)
Accrued Revenue and Energy Supply Obligations	0.2	0.5	2.9
Accounts Payable	0.2	(5.9)	3.4
Due to/from Affiliates	(0.8)	3.3	(1.6)
Regulatory Liabilities	(1.0)	(0.5)	0.8
Other Changes in Working Capital Items	0.7	1.3	---
Deferred Regulatory and Other Charges	1.8	3.0	1.5
Other, net	(2.8)	(2.4)	(4.3)
Cash Provided by Operating Activities	23.1	25.4	23.4
Investing Activities:			
Property, Plant, and Equipment Additions	(22.7)	(23.1)	(18.2)
Cash Used in Investing Activities	(22.7)	(23.1)	(18.2)
Financing Activities:			
Proceeds from (Repayment of) Short-Term Debt, net	8.0	(2.0)	0.2
Repayment of Long-Term Debt	(3.0)	(3.0)	---
Equity Contribution	---	5.0	---
Dividends Paid	(5.0)	(5.3)	(5.6)
Cash (Used in) Financing Activities	---	(5.3)	(5.4)
Net Increase (Decrease) in Cash and Cash Equivalents	0.4	(3.0)	(0.2)
Cash and Cash Equivalents at Beginning of Year	2.3	5.3	5.5
Cash and Cash Equivalents at End of Year	\$ 2.7	\$ 2.3	\$ 5.3
Supplemental Cash Flow Information:			
Interest Paid	\$ 5.4	\$ 5.9	\$ 6.0
Income Taxes Paid	\$ 1.3	\$ 1.0	\$ 1.1
Non-cash Investing Activity:			
Capital Expenditures Included in Accounts Payable	\$ 0.1	\$ 0.1	\$ ---

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(\$ in Millions)

	<u>Common Equity</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at January 1, 2014	\$ 37.4	\$ 32.4	\$ 69.8
Net Income		6.0	6.0
Dividends Declared		(5.5)	(5.5)
Balance at December 31, 2014	\$ 37.4	\$ 32.9	\$ 70.3
Net Income		7.2	7.2
Dividends Declared		(5.2)	(5.2)
Equity Contribution	5.0		5.0
Balance at December 31, 2015	\$ 42.4	\$ 34.9	\$ 77.3
Net Income		6.8	6.8
Dividends Declared		(4.9)	(4.9)
Balance at December 31, 2016	<u>\$ 42.4</u>	<u>\$ 36.8</u>	<u>\$ 79.2</u>

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Unitil Energy Systems, Inc. (Unitil Energy or Company), a wholly-owned subsidiary of Unitil Corporation, provides electric service in New Hampshire and is subject to regulation by the New Hampshire Public Utilities Commission (NHPUC). Unitil Energy's accounting policies conform with Generally Accepted Accounting Principles in the United States of America (U.S. GAAP), as applied in the case of regulated public utilities, and are in accordance with the accounting requirements of the NHPUC and the Federal Energy Regulatory Commission (FERC). A description of Unitil Energy's significant accounting policies follows.

Transactions with Affiliates - In addition to its investment in Unitil Energy, Unitil Corporation has interests in two other distribution utility companies, one doing business in New Hampshire and Maine and one doing business in Massachusetts, an interstate natural gas transmission pipeline company, a service company (Unitil Service Corp.), a realty company, a power company, and a non-regulated energy consulting company.

Transactions among Unitil Energy and other affiliated companies include professional and management services rendered by Unitil Service Corp. of approximately \$13.9 million, \$13.5 million and \$13.2 million in 2016, 2015 and 2014, respectively. The Company's transactions with affiliated companies are subject to review by the NHPUC, the Securities and Exchange Commission (SEC) and the FERC.

In 2014, Unitil Energy received a capital contribution of \$5.0 million from Unitil.

Prior to May 1, 2003, Unitil Energy purchased all of its power supply from Unitil Power Corp. (Unitil Power) under the Unitil System Agreement, a FERC-regulated tariff, which provided for the recovery of all of Unitil Power's power supply-related costs on a cost pass-through basis. Effective May 1, 2003, Unitil Energy and Unitil Power amended the Unitil System Agreement, such that power sales from Unitil Power to Unitil Energy ceased, and Unitil Power sold substantially all of its entitlements under the remaining portfolio of power supply contracts. Under the amended Unitil System Agreement, Unitil Energy continues to pay contract release payments to Unitil Power for costs associated with the portfolio sale and its other ongoing power supply-related costs. As of December 31, 2016, the obligations related to these divestitures were \$1.6 million and are recorded in Energy Supply Obligations on the Company's Balance Sheets with corresponding regulatory assets recorded in Accrued Revenue (current portion of \$0.3 million) and Regulatory Assets (long-term portion of \$1.3 million). Recovery of the contract release payments by Unitil Energy from its retail customers has been approved by the NHPUC.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, and requires disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value—The Financial Accounting Standards Board (FASB) Codification defines fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the FASB Codification are described below:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3.

There have been no changes in the valuation techniques used during the current period.

Utility Revenue Recognition - Regulated utility revenues are based on rates and charges approved by federal and state regulatory commissions. Revenues related to the sale of electric service are recorded when service is rendered or energy is delivered to customers. The determination of energy sales to individual customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each calendar month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is estimated. This unbilled revenue is estimated each month based on estimated customer usage by class and applicable customer rates.

Depreciation – Depreciation expense is calculated on a group straight-line basis based on the useful lives of assets, and judgment is involved when estimating the useful lives of certain assets. The Company conducts independent depreciation studies on a periodic basis as part of the regulatory ratemaking process and considers the results presented in these studies in determining the useful lives of the Company's fixed assets. A change in the estimated useful lives of these assets could have a material impact on the Company's Financial Statements. Provisions for depreciation were equivalent to the following composite rates, based on the average depreciable property balances at the beginning and end of each year: 2016 – 3.46%, 2015 – 3.64% and 2014 – 3.64%. Depreciation expense for Unitil Energy was \$9.7 million, \$9.6 million and \$9.3 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Consumption Taxes – The Company bills its customers consumption tax in New Hampshire. These taxes are remitted to the department of revenue and are excluded from revenues on the Company's Statements of Earnings.

Income Taxes – The Company is subject to Federal and State income taxes as well as various other business taxes. This process involves estimating the Company's current tax liabilities as well as assessing temporary and permanent differences resulting from the timing of the deductions of expenses and recognition of taxable income for tax and book accounting purposes. These temporary differences result in

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

deferred tax assets and liabilities, which are included in the Company's Balance Sheets. The Company accounts for income tax assets, liabilities and expenses in accordance with the FASB Codification guidance on Income Taxes. The Company classifies penalty and interest expense related to income tax liabilities as income tax expense and interest expense, respectively, in the Statements of Earnings.

Provisions for income taxes are calculated in each of the jurisdictions in which the Company operates for each period for which a statement of earnings is presented. The Company accounts for income taxes in accordance with the FASB Codification guidance on Income Taxes, which requires an asset and liability approach for the financial accounting and reporting of income taxes. Significant judgments and estimates are required in determining the current and deferred tax assets and liabilities. The Company's deferred tax assets and liabilities reflect its best assessment of estimated future taxes to be paid. In accordance with the FASB Codification, the Company periodically assesses the realization of its deferred tax assets and liabilities and adjusts the income tax provision, the current tax liability and deferred taxes in the period in which the facts and circumstances which gave rise to the revision become known.

In the first quarter of 2016, the Company adopted ASU 2015-17 which simplifies the presentation of deferred income taxes in a classified statement of financial position. Current generally accepted accounting principles (GAAP) require an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. ASU 2015-17 amends current GAAP to require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position.

For all periods presented in the Company's Financial Statements for the year ended December 31, 2016, deferred income taxes are reported as "Deferred Income Taxes" in the "Noncurrent Liabilities" section on the Balance Sheets. Prior to adoption, the Company reported deferred income taxes in either the "Current Assets" or "Current Liabilities" and "Other Noncurrent Assets" or "Noncurrent Liabilities" sections on the Balance Sheets, depending on whether the net current deferred income taxes and net noncurrent deferred income taxes were in an asset or liability position, respectively. The change in presentation for the year ended December 31, 2016 resulted in a reduction of both "Current Assets" and "Noncurrent Liabilities" for all prior periods presented.

Unitil Corporation and its subsidiaries, including Unitil Energy, file consolidated federal income tax returns as well as combined or separate state income tax returns. Federal and state income taxes paid by Unitil Corporation are collected from, or refunded to, Unitil Corporation's subsidiaries based on a tax sharing agreement between Unitil Corporation and each of its affiliated subsidiaries. The tax sharing agreement apportions taxes paid among Unitil Corporation and its subsidiaries as though each affiliate had filed a separate tax return.

Cash and Cash Equivalents – Cash and Cash Equivalents includes all cash and cash equivalents to which the Company has legal title. Cash equivalents include short-term investments with original maturities of three months or less and interest bearing deposits. Under the Independent System Operator – New England (ISO-NE) Financial Assurance Policy (Policy), the Company is required to provide assurance of its ability to satisfy its obligations to ISO-NE. Under this Policy, the Company provides cash deposits covering approximately 2-1/2 months of outstanding obligations. On December 31, 2016 and 2015, the Company had deposited \$2.3 million and \$1.9 million, respectively to satisfy its ISO-NE Policy obligations. These amounts are included in Cash and Cash Equivalents on the Company's Balance Sheets.

Allowance for Uncollectible Accounts - The Company recognizes a Provision for Doubtful Accounts each month. The amount of the monthly Provision is based upon the Company's experience in collecting electric utility service accounts receivable in prior periods. Account write-offs and recoveries are processed monthly. At the end of each month, an analysis of the delinquent receivables is performed and the

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

adequacy of the Allowance for Doubtful Accounts is reviewed. The analysis takes into account the amount of written-off receivables that are recoverable through regulatory rate reconciling mechanisms. The Company is authorized by regulators to recover the supply-related portion of its written-off accounts from customers through periodically reconciling rate mechanisms. Evaluating the adequacy of the Allowance for Doubtful Accounts requires judgment about the assumptions used in the analysis. Also, the Company has experienced periods when state regulators have extended the periods during which certain standard credit and collection activities of utility companies are suspended. In periods when account write-offs exceed estimated levels, the Company adjusts the Provision for Doubtful Accounts to maintain an adequate Allowance for Doubtful Accounts balance.

Accrued Revenue - Accrued Revenue includes the current portion of Regulatory Assets (see "Regulatory Accounting" below and unbilled revenues (see Utility Revenue Recognition above.) The following table shows the components of Accrued Revenue as of December 31, 2016 and 2015.

Accrued Revenue (\$ millions)	December 31,	
	2016	2015
Regulatory Assets – Current	\$ 9.7	\$ 9.8
Unbilled Revenues	4.3	4.4
Total Accrued Revenue	\$ 14.0	\$ 14.2

Materials and Supplies – Materials and Supplies consist of distribution line construction and repair materials. It also consists of distribution substation repair materials. Materials and Supplies are stated at average cost and are issued from stock using the average cost of existing stock. Materials and Supplies are recorded when purchased and subsequently charged to expense or capitalized to property, plant, and equipment when installed. Materials and Supplies were \$1.1 million and \$0.9 million at December 31, 2016 and 2015, respectively.

Utility Plant – The cost of additions to Utility Plant and the cost of renewals and betterments are capitalized. Cost consists of labor, materials, services and certain indirect construction costs, including an allowance for funds used during construction (AFUDC). The average interest rates applied to AFUDC were 3.12%, 1.80% and 1.56% in 2016, 2015 and 2014, respectively. The costs of current repairs and minor replacements are charged to operating expense accounts. The original cost of utility plant retired or otherwise disposed of and the cost of removal, less salvage, are charged to the accumulated provision for depreciation. The Company includes in its mass asset depreciation rates, which are periodically reviewed as part of its ratemaking proceedings, cost of removal amounts to provide for future negative salvage value. At December 31, 2016 and 2015, the Company estimates that the cost of removal amounts, which are recorded on the Company's Balance Sheets in Cost of Removal Obligations are \$14.1 million and \$12.3 million, respectively.

Regulatory Accounting – Unitil Energy's principal business is the distribution of electricity. The Company is subject to regulation by the NHPUC and the FERC. Accordingly, the Company uses the Regulated Operations guidance as set forth in the FASB Codification. The Company has recorded Regulatory Assets and Regulatory Liabilities which will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

Regulatory Assets consist of the following (\$ millions)	December 31,	
	2016	2015
Retirement Benefits	\$ 28.2	\$ 24.7
Energy Supply & Other Regulatory Tracker Mechanisms	8.2	8.0
Deferred Storm Charges	6.3	8.8
Income Taxes	0.4	0.8
Other	0.8	0.3
Total Regulatory Assets	\$ 43.9	\$ 42.6
Less: Current Portion of Regulatory Assets ⁽¹⁾	9.7	9.8
Regulatory Assets – noncurrent	\$ 34.2	\$ 32.8

⁽¹⁾ Reflects amounts included in Accrued Revenue on the Company's Balance Sheets.

Regulatory Liabilities consist of the following (\$ millions)	December 31,	
	2016	2015
Regulatory Tracker Mechanisms	\$ 3.9	\$ 4.9
Total Regulatory Liabilities	\$ 3.9	\$ 4.9

Generally, the Company receives a return on investment on its Regulatory Assets for which a cash outflow has been made. Regulatory commissions can reach different conclusions about the recovery of costs, which can have a material impact on the Company's Financial Statements. The Company believes it is probable that it will recover its investments in long-lived assets, including regulatory assets.

If the Company, or a portion of its assets or operations, were to cease meeting the criteria for application of these accounting rules, accounting standards for businesses in general would become applicable and immediate recognition of any previously deferred costs, or a portion of deferred costs, would be required in the year in which the criteria are no longer met, if such deferred costs were not recoverable in the portion of the business that continues to meet the criteria for application of the FASB Codification topic on Regulated Operations. If unable to continue to apply the FASB Codification provisions for Regulated Operations, the Company would be required to apply the provisions for the Discontinuation of Rate-Regulated Accounting included in the FASB Codification. In the Company's opinion, its regulated operations will be subject to the FASB Codification provisions for Regulated Operations for the foreseeable future.

Derivatives – The Company enters into wholesale electric energy supply contracts to serve its customers. The Company's policy is to review each contract and determine whether they meet the criteria for classification as derivatives. As of December 31, 2016, the Company determined that none of its wholesale electric energy supply contracts met the criteria for recognition as a derivative instrument as the contracts qualify for the normal purchase and sale scope exemption per the FASB Codification as it applies to derivative instruments.

Energy Supply Obligations – The following discussion and table summarize the nature and amounts of the items recorded as Energy Supply Obligations on the Company's Balance Sheets.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

Power Supply Contract Divestitures - As a result of the restructuring of the utility industry in New Hampshire, Unitil Energy's customers have the opportunity to purchase their electric or natural gas supplies from third-party suppliers. In connection with the implementation of retail choice, Unitil Power, which formerly functioned as the wholesale power supply provider for Unitil Energy, divested its long-term power supply contracts through the sale of the entitlements to the electricity sold under those contracts. Unitil Energy recovers in its rates all the costs associated with the divestiture of its power supply portfolios and has secured regulatory approval from the NHPUC for the recovery of power supply-related stranded costs. As of December 31, 2016, the obligations related to these divestitures were \$1.6 million and are recorded in Energy Supply Obligations on the Company's Balance Sheets with corresponding regulatory assets recorded in Accrued Revenue (current portion of \$0.3 million) and Regulatory Assets (long-term portion of \$1.3 million).

Renewable Energy Portfolio Standards - Renewable Energy Portfolio Standards (RPS) require retail electricity suppliers, including public utilities, to demonstrate that required percentages of their sales are met with power generated from certain types of resources or technologies. Compliance is demonstrated by purchasing and retiring Renewable Energy Certificates (REC) generated by facilities approved by the state as qualifying for REC treatment. Unitil Energy purchases RECs in compliance with RPS legislation in New Hampshire for supply provided to default service customers. RPS compliance costs are a supply cost that is recovered in customer default service rates. Unitil Energy collects RPS compliance costs from customers throughout the year and demonstrates compliance for each calendar year on the following July 1. Due to timing differences between collection of revenue from customers and payment of REC costs to suppliers, Unitil Energy typically maintains accrued revenue for RPS compliance which is recorded in Accrued Revenue with a corresponding liability in Energy Supply Obligations on the Company's Balance Sheets.

Energy Supply Obligations consist of the following: (\$ millions)	December 31,	
	2016	2015
Current:		
Power Supply Contract Divestitures	\$ 0.3	\$ 0.3
Renewable Energy Portfolio Standards	1.6	1.6
Total Energy Supply Obligations – Current	\$ 1.9	\$ 1.9
Long-Term:		
Power Supply Contract Divestitures	\$ 1.3	\$ 1.6
Total Energy Supply Obligations	\$ 3.2	\$ 3.5

Retirement Benefit Obligations – The Company co-sponsors the Unitil Corporation Retirement Plan (Pension Plan), which is a defined benefit pension plan. The Pension Plan is closed to new non-union employees. The Pension Plan was closed to union employees covered under the collective bargaining agreement, entered into during 2012 between Unitil Energy and IBEW Local 1837, and hired subsequent to June 1, 2012. The Company also co-sponsors a non-qualified retirement plan, the Unitil Corporation Supplemental Executive Retirement Plan (SERP), covering certain executives of the Company and an employee 401(k) savings plan. Additionally, the Company co-sponsors the Unitil Employee Health and Welfare Benefits Plan (PBOP Plan), primarily to provide health care and life insurance benefits to retired employees.

The Company records on its balance sheets a liability for the underfunded status of its retirement benefit obligations (RBO) based on the projected benefit obligation. The Company has recognized a corresponding Regulatory Asset, to recognize the future collection of these obligations in electric rates. See Note 8.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

Off-Balance Sheet Arrangements – As of December 31, 2016, the Company does not have any significant arrangements that would be classified as Off-Balance Sheet Arrangements. In the ordinary course of business, the Company does contract for certain office and other equipment and motor vehicles under operating leases and, in the Company's opinion, the amount of these transactions is not material.

Concentrations of Credit Risk – Financial instruments that subject the Company to credit risk concentrations consist of cash and cash equivalents and accounts receivable. The Company's cash and cash equivalents are held at financial institutions and at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. Accounts receivable may be affected by changes in economic conditions. However, the Company believes that the credit risk associated with accounts receivable is offset by the diversification of the Company's customer base. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents and accounts receivable.

Commitments and Contingencies – The Company's accounting policy is to record and/or disclose commitments and contingencies in accordance with the FASB Codification as it applies to an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. As of December 31, 2016, the Company is not aware of any material commitments or contingencies other than those disclosed in the Commitments and Contingencies footnote to the Company's Financial Statements below. See Note 6.

Recently Issued Pronouncements – In April and March 2016, the FASB issued ASU 2016-10 and ASU 2016-08, respectively. ASU 2016-10 clarifies the implementation guidance on licensing and the identification of performance obligations considerations included in ASU 2014-09. ASU 2016-08 provides amendments to clarify the implementation guidance on principal versus agent considerations included in ASU 2014-09. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The effective date of this pronouncement is for fiscal years beginning after December 15, 2017 with early adoption permitted as of the original effective date. The Company will implement the standard in the first quarter of 2018 on a modified retrospective basis and it is not expected to have a material impact on the Company's Financial Statements.

In March 2016, the FASB issued ASU 2016-09, which provides for improvements to employee share-based payment accounting. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. ASU 2016-09 simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The Company does not expect that this new guidance will have a material impact on the Company's Financial Statements.

In February 2016, the FASB issued ASU 2016-02, which replaces the existing guidance in Accounting Standard Codification 840, Leases. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. ASU 2016-02 requires a dual approach for lessee accounting under which a lessee would account for leases as finance (also referred to as capital) leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and corresponding lease liability. For finance leases the lessee would recognize interest expense and amortization of the right-of-use asset and for operating leases the lessee would recognize straight-line total lease expense. The Company is evaluating the impact that this new guidance will have on the Company's Financial Statements.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

In January 2016, the FASB issued Accounting Standards Update (ASU) 2016-01 which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. A financial instrument is defined as cash, evidence of ownership interest in a company or other entity, or a contract that both: (i) imposes on one entity a contractual obligation either to deliver cash or another financial instrument to a second entity or to exchange other financial instruments on potentially unfavorable terms with the second entity and (ii) conveys to that second entity a contractual right either to receive cash or another financial instruments from the first entity or to exchange other financial instruments on potentially favorable terms with the first entity. This pronouncement is effective for financial statements issued for annual periods beginning after December 15, 2017 and interim periods within those annual periods with earlier application permitted as of the beginning of the fiscal year of adoption. The Company is evaluating the impact that this new guidance will have on the Company's Financial Statements.

In May 2015, the FASB issued ASU 2015-07 which provides authoritative guidance removing the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Investments measured at net asset value per share using the practical expedient will be presented as a reconciling item between the fair value hierarchy disclosure and the investment line item on the statement of financial position. The guidance also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using the practical expedient. The guidance is effective for fiscal years beginning after December 15, 2015 with early adoption permitted. The guidance is required to be applied retrospectively to all periods presented. The Company adopted this new guidance and it did not have a material impact on the Company's Financial Statements.

Other than the pronouncements discussed above, there are no recently issued pronouncements that the Company has not already adopted or that have a material impact on the Company.

Subsequent Events – The Company has evaluated all events or transactions through March 17, 2017, the date the Financial Statements were available to be issued. During this period, the Company did not have any material subsequent events that would result in adjustment to or disclosure in its Financial Statements.

NOTE 2: DEBT AND FINANCING ARRANGEMENTS

Long-Term Debt and Interest Expense

Substantially all the property of the Company is subject to liens of indenture under which First Mortgage Bonds (FMB) have been issued. Certain of the Company's long-term debt agreements contain provisions, which, among other things, limit the incursion of additional long-term debt. In order to issue new FMB securities, the customary covenants of the existing Unitil Energy Indenture Agreement must be met, including that Unitil Energy have sufficient available net bondable plant to issue the securities and projected earnings available for interest charges equal to at least two times the annual interest requirement. The Unitil Energy agreements further require that if Unitil Energy defaults on any Unitil Energy FMB securities, it would constitute a default for all Unitil Energy FMB securities. The Unitil Energy default provisions are not triggered by the actions or defaults of other companies owned by Unitil Corporation. The Unitil Energy Indenture Agreement contains covenants restricting the ability of the Company to incur additional liens and to enter into sale and leaseback transactions, and restricting the ability of the Company to consolidate with, to merge with or into or to sell or otherwise dispose of all or substantially all of its assets.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

Details of long-term debt at December 31, 2016 and 2015 are shown below:

Long-term Debt (\$ millions)	December 31,	
	2016	2015
First Mortgage Bonds:		
5.24% Series, Due March 2, 2020	\$ 15.0	\$ 15.0
8.49% Series, Due October 14, 2024	9.0	12.0
6.96% Series, Due September 1, 2028	20.0	20.0
8.00% Series, Due May 1, 2031	15.0	15.0
6.32% Series, Due September 15, 2036	15.0	15.0
Total Long-Term Debt	74.0	77.0
Less: Unamortized Debt Issuance Costs	1.0	1.1
Total Long-Term Debt, net of Unamortized Debt Issuance Costs	73.0	75.9
Less: Current Portion	1.4	1.4
Total Long-Term Debt, Less Current Portion	\$ 71.6	\$ 74.5

The aggregate amount of bond repayment requirements is \$1.5 million in 2017; \$6.5 million in 2018; \$8.5 million in each of 2019 and 2020; \$3.5 million in 2021; and \$45.5 million thereafter.

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities. The fair value of the Company's long-term debt at December 31, 2016 is estimated to be approximately \$84.2 million, before considering any costs, including prepayment costs, to market the Company's debt. Currently, management believes that there is no active market in the Company's debt securities, which have all been sold through private placements. If there were an active market for the Company's debt securities, the fair value of the Company's long-term debt would be estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities. The fair value of the Company's long-term debt is estimated using Level 2 inputs (valuations based on quoted prices available in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are directly observable, and inputs derived principally from market data.) In estimating the fair value of the Company's long-term debt, the assumed market yield reflects the Moody's Baa Utility Bond Average Yield. Costs, including prepayment costs, associated with the early settlement of long-term debt are not taken into consideration in determining fair value.

Credit Arrangements

Unitil Energy's short-term borrowings are presently provided under a cash pooling and loan agreement between Unitil Corporation and its subsidiaries. Under the existing pooling and loan agreement, Unitil Corporation borrows, as required, from its banks on behalf of its subsidiaries. At December 31, 2016, Unitil Corporation had unsecured committed bank lines of credit for short-term debt aggregating \$120 million. The weighted average interest rates on all short-term borrowings were 1.8%, 1.5% and 1.6% during 2016, 2015 and 2014, respectively. Unitil Energy had short-term debt outstanding through bank borrowings of approximately \$16.8 million and \$8.8 million at December 31, 2016 and December 31, 2015, respectively.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

Leases

The Company leases some of its vehicles, machinery and office equipment under operating lease arrangements. The following is a schedule of future operating lease payment obligations as of December 31, 2016:

Year Ending December 31 (\$000's)	
2017	\$ 372
2018	228
2019	186
2020	163
2021	127
2022 - 2026	83
Total Future Operating Lease Payments	<u>\$ 1,159</u>

Total rental expense charged to operations for the years ended December 31, 2016, 2015 and 2014 amounted to \$524,000, \$485,000 and \$376,000, respectively.

NOTE 3: RESTRICTION ON DIVIDENDS

Under the terms of the Indenture of Mortgage and Deed of Trust and the supplemental indentures thereto relating to Unitil Energy's First Mortgage Bonds, \$52.7 million was available for dividends and similar distributions at December 31, 2016. Common dividends declared by Unitil Energy are paid exclusively to Unitil Corporation.

NOTE 4: NON-REDEEMABLE, NON-CUMULATIVE PREFERRED STOCK

The 6% Non-Redeemable, Non-Cumulative Preferred Stock ranks senior to Common Stock and the holders thereof are entitled in liquidation to receive \$100 per share, plus accrued dividends. At December 31, 2016, the liquidation value of the Company's Preferred Stock was \$0.2 million.

NOTE 5: ENERGY SUPPLY

Electric Supply:

Unitil Energy is a member of the New England Power Pool (NEPOOL) and participates in the Independent System Operator—New England (ISO-NE) markets for the purpose of facilitating wholesale electric power supply transactions, which are necessary to serve its electric customers with their supply of electricity.

Unitil Energy's customers are entitled to purchase their electric supply from competitive third-party suppliers. As of December 2016, 80% of Unitil Energy's largest customers, representing 26% of Unitil Energy's electric energy sales, are purchasing their electric power supply in the competitive market.

The number of residential customers purchasing from a third party supplier has increased significantly since 2014 and currently stands at 13% of residential customers. Notwithstanding this recent activity, most residential and small commercial customers continue to purchase their electric supply through Unitil Energy under regulated energy rates and tariffs.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

Regulated Electric Power Supply

In order to provide regulated electric supply service to its customers, Unitil Energy enters into load-following wholesale electric power supply contracts to purchase electric supply from various wholesale suppliers.

Unitil Energy currently has power supply contracts with various wholesale suppliers for the provision of Default Service to its customers. Currently, with approval of the NHPUC, Unitil Energy purchases Default Service power supply contracts for small, medium and large customers every six months for 100% of the supply requirements.

The NHPUC regularly reviews alternatives to its procurement policy, which may lead to future changes in this regulated power supply procurement structure.

Regional Electric Transmission and Power Markets

Unitil Energy, as well as virtually all New England electric utilities, participates in the ISO-NE markets. ISO-NE is the Regional Transmission Organization (RTO) in New England. The purpose of ISO-NE is to assure reliable operation of the bulk power system in the most economical manner for the region. Substantially all operation and dispatching of electric generation and bulk transmission capacity in New England are performed on a regional basis. The ISO-NE tariff imposes generating capacity and reserve obligations, and provides for the use of major transmission facilities and support payments associated therewith. The most notable benefits of the ISO-NE are coordinated, reliable power system operation and a supportive business environment for the development of competitive electric markets.

Electric Power Supply Divestiture

In connection with the implementation of retail choice, Unitil Power, which formerly functioned as the wholesale power supply provider for Unitil Energy, divested its long-term power supply contracts through the sale of the entitlements to the electricity sold under those contracts. Unitil Energy recovers in its rates all the costs associated with the divestiture of its power supply portfolios and has secured regulatory approval from the NHPUC for the recovery of power supply-related stranded costs and other restructuring-related regulatory assets. The Company has a continuing obligation to submit regulatory filings that demonstrate its compliance with regulatory mandates and provide for timely recovery of costs in accordance with its approved restructuring plan.

NOTE 6: COMMITMENTS AND CONTINGENCIES

Regulatory Matters - Overview - Unitil Energy delivers electricity to all of its customers in the Company's service territory, at rates established under traditional cost of service regulation. Under this regulatory structure, Unitil Energy recovers the cost of providing distribution service to its customers based on a representative test year, in addition to earning a return on its capital investment in utility assets. The Company's customers have the opportunity to purchase their electric supplies from third-party suppliers. Most small and medium-sized customers, however, continue to purchase such supplies through Unitil Energy as the provider of default service energy supply. Unitil Energy purchases electricity for default service from unaffiliated wholesale suppliers and recovers the actual costs of these supplies, without profit or markup, through reconciling, pass-through rate mechanisms that are periodically adjusted.

Unitil Energy provides electric distribution service to its customers pursuant to rates approved by the NHPUC. See "Base Rates" below for a discussion of the Company's current rates. As the provider of last resort, Unitil Energy also provides its customers with electric power through Default Service at rates which

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

reflect Unitil Energy's costs for wholesale supply with no profit or markup. Unitil Energy procures Default Service power for its larger commercial and industrial customers on a quarterly basis, and for its smaller commercial and residential customers through a portfolio of longer term contracts procured on a semi-annual basis. Unitil Energy recovers its costs for this service on a pass-through basis through reconciling rate mechanisms.

Base Rates - On April 29, 2016 Unitil Energy filed for an increase in distribution base rates with the NHPUC. The Company's filing seeks an increase in base rates of approximately \$6.3 million or 3.6 percent above present rates. The Company also requested a long-term rate plan for the annual recovery in future years of the costs associated with utility plant additions. On June 28, 2016 the NHPUC approved a settlement agreement among the Company, Commission Staff and the Office of Consumer Advocate on a \$2.4 million temporary rate increase effective July 1, 2016. The temporary rate increase will remain in effect until a permanent rate increase decision is issued. Once a permanent rate is decided, it will be reconciled back to the effective date of the temporary rate increase. A settlement agreement has been filed with the NHPUC and is pending review. An order on the settlement is expected on or before May 1, 2017.

NHPUC Energy Efficiency Resource Standard Proceeding - In May 2015, the NHPUC opened a proceeding to establish an Energy Efficiency Resource Standard ("EERS"), an energy efficiency policy with specific targets or goals for energy savings that New Hampshire electric and gas utilities must meet. On April 27, 2016, a comprehensive settlement agreement was filed by the parties, including Unitil Energy, which was approved by the NHPUC on August 2, 2016. The settlement provides for: extending the 2014-2016 Core program an additional year (through 2017); establishing an EERS; establishing a recovery mechanism to compensate the utilities for lost-revenue related to the EERS programs; and approving the performance incentives and processes for stakeholder involvement, evaluation, measurement and verification, and oversight of the EERS programs.

Unitil Energy - Electric Grid Modernization - In July 2015, the NHPUC opened an investigation into Grid Modernization to address a variety of issues related to Distribution System Planning, Customer Engagement with Distributed Energy Resources, and Utility Cost Recovery and Financial Incentives. The NHPUC has engaged a consultant to direct a Working Group to investigate these issues and to prepare a final report with recommendations for the Commission. The report is expected to be filed in early 2017. Unitil Energy is an active participant in the Working Group. This matter remains pending.

Unitil Energy - Net Metering - Pursuant to legislation that became effective in May 2016, the NHPUC opened a proceeding to consider alternatives to the net metering tariffs currently in place. The legislation requires that a decision on this matter must be issued by the NHPUC by March 2, 2017. The NHPUC approved an extension of the current net metering tariffs on an interim basis until it issues its final decision on June 2, 2017. Unitil Energy is an active participant in this proceeding.

Litigation - The Company is involved in legal and administrative proceedings and claims of various types, which arise in the ordinary course of business. The Company believes, based upon information furnished by counsel and others, that the ultimate resolution of these claims will not have a material impact on its financial position, operating results or cash flows.

Market Risk - Although the Company is subject to commodity price risk as part of its traditional operations, the current regulatory framework within which the Company operates allows for full collection of approved fuel costs in rates. Consequently, there is limited commodity price risk after consideration of the related rate-making. Additionally, as discussed above in Regulatory Matters, the Company has divested its commodity-related contracts and therefore, has further reduced its exposure to commodity risk.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

NOTE 7: INCOME TAXES

Provisions for Federal and State Income Taxes reflected as operating expenses in the accompanying consolidated statements of earnings for the years ended December 31, 2016, 2015 and 2014 are shown in the table below:

	(\$000's)		
	2016	2015	2014
Current Income Tax Provision (Benefit)			
Federal	\$ 72	\$ ---	\$ ---
State	(87)	1,020	(1,421)
Total Current Income Taxes	(15)	1,020	(1,421)
Deferred Income Tax Provision			
Federal	2,963	3,574	3,119
State	968	(15)	2,276
Total Deferred Income Taxes	3,931	3,559	5,395
Total Income Tax Expense	\$ 3,916	\$ 4,579	\$ 3,974

The differences between the Company's provisions for Income Taxes and the provisions calculated at the statutory federal tax rate, expressed in percentages, are shown below:

	2016	2015	2014
Statutory Federal Income Tax Rate	34%	34%	34%
Income Tax Effects of:			
State Income Taxes, net	3	6	6
Utility Plant Differences	(1)	(1)	---
Tax Credits	---	---	---
Other, net	---	---	---
Effective Income Tax Rate	36%	39%	40%

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

Temporary differences which gave rise to deferred tax assets and liabilities in 2016 and 2015 are shown below:

Temporary Differences (000's)	2016	2015
Deferred Tax Assets		
Retirement Benefit Obligations	\$ 21,822	\$ 17,426
Net Operating Loss Carryforward	1,256	1,303
Tax Credit Carryforwards	202	—
Other, net	218	221
Total Deferred Tax Assets	\$ 23,498	\$ 18,950
Deferred Tax Liabilities		
Utility Plant Differences	\$ 47,135	\$ 40,914
Regulatory Assets & Liabilities	2,390	2,539
Other, net	613	701
Total Deferred Tax Liabilities	50,138	44,154
Net Deferred Tax Liabilities	\$ 26,640	\$ 25,204

The Company evaluated its tax positions at December 31, 2016 in accordance with the FASB Codification, and has concluded that no adjustment for recognition, derecognition, settlement and foreseeable future events to any unrecognized tax liabilities or assets as defined by the FASB Codification is required. The Company does not have any unrecognized tax positions for which it is reasonably possible that the total amounts recognized will significantly change within the next 12 months. The Company accounts for income taxes in accordance with the FASB Codification guidance on Income Taxes which requires an asset and liability approach for the financial accounting and reporting of income taxes. Significant judgments and estimates are required in determining the current and deferred tax assets and liabilities. The Company's deferred tax assets and liabilities reflect its best assessment of estimated future taxes to be paid. Periodically, the Company assesses the realization of its deferred tax assets and liabilities and adjusts the income tax provision, the current tax liability and deferred taxes in the period in which the facts and circumstances which gave rise to the revision become known. The Company recorded no interest on tax items for the years ended December 31, 2016, 2015 and 2014.

In total at December 31, 2016, the Company had recorded federal and state net operating loss (NOL) carryforward assets of \$1.3 million to offset against taxes payable in future periods. If unused, the Company's NOL carryforward assets will begin to expire in 2029.

The Company remains subject to examination by New Hampshire tax authorities for the tax periods ended December 31, 2013; December 31, 2014; and December 31, 2015. Income tax filings for the year ended December 31, 2015 have been filed with the New Hampshire Department of Revenue Administration.

NOTE 8: RETIREMENT BENEFIT OBLIGATIONS

The Company co-sponsors the following retirement benefit plans to provide certain pension and postretirement benefits for its retirees and current employees as follows:

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

- The Unitil Corporation Retirement Plan (Pension Plan) - The Pension Plan is a defined benefit pension plan. Under the Pension Plan, retirement benefits are based upon an employee's level of compensation and length of service.
- The Unitil Retiree Health and Welfare Benefits Plan (PBOP Plan)—The PBOP Plan provides health care and life insurance benefits to retirees. The Company has established Voluntary Employee Benefit Trusts (VEBT), into which it funds contributions to the PBOP Plan.
- The Unitil Corporation Supplemental Executive Retirement Plan (SERP)—The SERP is a non-qualified retirement plan, with participation limited to executives selected by the Board of Directors.

The following table includes the key assumptions used in determining the Company's benefit plan costs and obligations:

Used to Determine Plan costs for years ended December 31:	2016	2015	2014
Discount Rate	4.30%	4.00%	4.80%
Rate of Compensation Increase	3.00%	3.00%	3.00%
Expected Long-term Rate of Return on Plan Assets	8.00%	8.00%	8.00%
Health Care Cost Trend Rate Assumed for Next Year	7.00%	7.00%	8.00%
Ultimate Health Care Cost Trend Rate	4.00%	4.00%	4.00%
Year that Ultimate Health Care Cost Trend Rate is reached	2022	2018	2018
Effect of 1% Increase in Health Care Cost Trend Rate (\$000's)	\$ 387	\$ 355	\$ 249
Effect of 1% Decrease in Health Care Cost Trend Rate (\$000's)	\$ (295)	\$ (267)	\$ (199)
Used to Determine Benefit Obligations at December 31:	2016	2015	2014
Discount Rate	4.10%	4.00%	4.80%
Rate of Compensation Increase	3.00%	3.00%	3.00%
Health Care Cost Trend Rate Assumed for Next Year	8.00%	7.00%	8.00%
Ultimate Health Care Cost Trend Rate	4.00%	4.00%	4.00%
Year that Ultimate Health care Cost Trend Rate is reached	2025	2018	2018
Effect of 1% Increase in Health Care Cost Trend Rate (\$000's)	\$ 5,771	\$ 3,570	\$ 2,457
Effect of 1% Decrease in Health Care Cost Trend Rate (\$000's)	\$ (4,525)	\$ (2,803)	\$ (1,992)

The Discount Rate assumptions used in determining retirement plan costs and retirement plan obligations are based on an assessment of current market conditions using high quality corporate bond interest rate indices and pension yield curves. The Rate of Compensation Increase assumption used in each of 2016, 2015 and 2014 was 3.00%, based on the expected long-term increase in compensation costs for personnel covered by the plans.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

The following table provides the components of the Company's retirement plan costs (\$000's):

	Pension Plan			PBOP Plan			SERP		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Service Cost	\$ 933	\$ 1,068	\$ 881	\$ 673	\$ 610	\$ 480	\$ 46	\$ 37	\$ 18
Interest Cost	2,147	2,054	2,011	998	810	789	109	100	86
Expected Return on Plan Assets	(2,620)	(2,589)	(2,465)	(270)	(296)	(290)	---	---	---
Prior Service Cost Amortization	4	3	(3)	485	487	488	54	26	4
Actuarial Loss Amortization	1,802	2,017	1,343	381	243	6	106	99	32
Sub-total	2,266	2,553	1,767	2,267	1,854	1,473	315	262	140
Amounts Capitalized and Deferred	(1,153)	(1,285)	(895)	(1,228)	(930)	(760)	---	---	---
NPBC Recognized	\$ 1,113	\$ 1,268	\$ 872	\$ 1,039	\$ 924	\$ 713	\$ 315	\$ 262	\$ 140

The estimated amortization related to Actuarial Loss and Prior Service Cost included in the Company's retirement plan costs or as a reduction of regulatory assets over the next fiscal year are \$1.9 million, \$1.2 million and \$0.1 million for the Pension, PBOP and SERP plans, respectively.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

The following table represents information on the plans' assets, projected benefit obligations (PBO), and funded status (\$000's):

	Pension Plan		PBOP Plan		SERP	
	2016	2015	2016	2015	2016	2015
Change in Plan Assets:						
Plan Assets at Beginning of Year	\$ 34,195	\$ 35,551	\$ 3,822	\$ 4,083	\$ ---	\$ ---
Actual Return on Plan Assets	1,353	(917)	243	(220)	---	---
Employer Contributions	1,538	1,330	1,113	926	10	12
Participant Contributions	---	---	12	12	---	---
Benefits Paid	(1,833)	(1,769)	(906)	(979)	(10)	(12)
Plan Assets at End of Year	\$ 35,253	\$ 34,195	\$ 4,284	\$ 3,822	\$ ---	\$ ---
Change in PBO:						
PBO at Beginning of Year	\$ 55,913	\$ 56,782	\$ 26,348	\$ 23,069	\$ 3,056	\$ 2,854
Service Cost	933	1,068	673	610	46	37
Interest Cost	2,147	2,054	998	810	109	100
Participant Contributions	---	---	12	12	---	---
Plan Amendments	---	---	---	---	---	185
Benefits Paid	(1,833)	(1,769)	(906)	(979)	(10)	(12)
Actuarial (Gain) or Loss	1,612	(2,222)	5,657	2,826	19	(108)
PBO at End of Year	\$ 58,772	\$ 55,913	\$ 32,782	\$ 26,348	\$ 3,220	\$ 3,056
Funded Status: Assets vs PBO	\$ (23,519)	\$ (21,718)	\$ (28,498)	\$ (22,526)	\$ (3,220)	\$ (3,056)

The funded status of the Pension, PBOP and SERP Plans is calculated based on the difference between the benefit obligation and the fair value of plan assets and is recorded on the balance sheets as an asset or a liability. Because the Company recovers the retiree benefit costs from customers through rates, regulatory assets are recorded in lieu of an adjustment to Accumulated Other Comprehensive Income/(Loss).

The Company has recorded on its Balance Sheets a liability for the underfunded status of its retirement benefit obligations based on the projected benefit obligation. The Company has recognized Regulatory Assets, net of tax, of \$28.2 million and \$24.7 million at December 31, 2016 and 2015, respectively, to recognize the future collection of these plan obligations in electric rates.

The Accumulated Benefit Obligation (ABO) is required to be disclosed for all plans where the ABO is in excess of plan assets. The difference between the PBO and the ABO is that the PBO includes projected compensation increases. The ABO for the Pension Plan was \$52.9 million and \$50.5 million as of December 31, 2016 and 2015, respectively. The ABO for the SERP was \$2.3 million and \$2.3 million as of December 31, 2016 and 2015, respectively. For the PBOP Plan, the ABO and PBO are the same.

The Company expects to continue to make contributions to its Pension Plan in 2017 and future years at minimum required and discretionary funding levels consistent with the amounts recovered in rates for these Pension Plan costs.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

The following table represents employer contributions, participant contributions and benefit payments (\$000's).

	Pension Plan			PBOP Plan			SERP		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Employer Contributions	\$ 1,538	\$ 1,330	\$ 1,135	\$ 1,113	\$ 926	\$ 769	\$ 10	\$ 12	\$ 14
Participant Contributions	\$ ---	\$ ---	\$ ---	\$ 12	\$ 12	\$ 8	\$ ---	\$ --	\$ --
Benefit Payments	\$ 1,833	\$ 1,769	\$ 1,576	\$ 906	\$ 979	\$ 781	\$ 10	\$ 12	\$ 14

The following table represents estimated future benefit payments (\$000's).

	Estimated Future Benefit Payments		
	Pension	PBOP	SERP
2017	\$ 1,973	\$ 912	\$ 10
2018	2,061	999	9
2019	2,190	1,059	164
2020	2,239	1,122	161
2021	2,324	1,172	199
2022 - 2026	\$ 14,070	\$ 7,114	\$ 1,063

The Expected Long-Term Rate of Return on Pension Plan assets assumption used by the Company is developed based on input from actuaries and investment managers. The Company's Expected Long-Term Rate of Return on Pension Plan assets is based on target investment allocation of 47% in common stock equities, 37% in fixed income securities, 10% in real estate securities and 6% in a combined equity and debt fund. The Company's Expected Long-Term Rate of Return on PBOP Plan assets is based on target investment allocation of 55% in common stock equities and 45% in fixed income securities. The actual investment allocations are shown in the tables below.

Pension Plan	Target Allocation	Actual Allocation at December 31,		
	2017	2016	2015	2014
Equity Funds	47%	46%	46%	49%
Debt Funds	37%	37%	37%	36%
Real Estate Fund	10%	10%	11%	10%
Asset Allocation Fund ⁽¹⁾	6%	7%	6%	5%
Total		100%	100%	100%

(1) Represents investments in an asset allocation fund. This fund invests in both equity and debt securities.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

PBOP Plan	Target Allocation	Actual Allocation at December 31,		
	2017	2016	2015	2014
Equity Funds	55%	55%	53%	56%
Debt Funds	45%	43%	47%	44%
Other ⁽¹⁾	0%	2%	0%	0%
Total		100%	100%	100%

(1) Represents investments being held in cash equivalents as of December 31, 2016 pending transfer into debt and equity funds.

The combination of these target allocations and expected returns resulted in the overall assumed long-term rate of return of 8.00% for 2016. The Company evaluates the actuarial assumptions, including the expected rate of return, at least annually. The desired investment objective is a long-term rate of return on assets that is approximately 5 – 6% greater than the assumed rate of inflation as measured by the Consumer Price Index. The target rate of return for the Plans has been based upon an analysis of historical returns supplemented with an economic and structural review for each asset class.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015. Please also see Note 1 for a discussion of the Company's fair value accounting policy.

Equity, Fixed Income, Index and Asset Allocation Funds

These investments are valued based on quoted prices from active markets. These securities are categorized in Level 1 as they are actively traded and no valuation adjustments have been applied.

Cash Equivalents

These investments are valued at cost, which approximates fair value, and are categorized in Level 1.

Real Estate Fund

These investments are valued at net asset value (NAV) per unit based on a combination of market- and income-based models utilizing market discount rates, projected cash flows and the estimated value into perpetuity. In accordance with FASB Codification Topic 820, "Fair Value Measurement", these investments have not been classified in the fair value hierarchy. The fair value amounts presented in the tables below for the Real Estate Fund are intended to permit reconciliation of the fair value hierarchy to the "Plan Assets at End of Year" line item shown in the "Change in Plan Assets" table above.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

Assets measured at fair value on a recurring basis for the Pension Plan as of December 31, 2016 and 2015 are as follows (\$000's):

Fair Value Measurements at Reporting Date Using					
Description	Balance as of December 31,	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2016					
Pension Plan Assets:					
Equity Funds	\$ 16,312	\$ 16,312	\$ ---	\$ ---	
Fixed Income Funds	13,133	13,133	---	---	
Asset Allocation Fund	2,390	2,390	---	---	
Total Assets in the Fair Value Hierarchy	\$ 31,835	\$ 31,835	\$ ---	\$ ---	
Real Estate Fund – Measured at Net Asset Value	3,418				
Total Assets	\$ 35,253				
2015					
Pension Plan Assets:					
Equity Funds	\$ 15,735	\$ 15,735	\$ ---	\$ ---	
Fixed Income Funds	12,625	12,625	---	---	
Asset Allocation Fund	2,168	2,168	---	---	
Total Assets in the Fair Value Hierarchy	\$ 30,528	\$ 30,528	\$ ---	\$ ---	
Real Estate Fund – Measured at Net Asset Value	3,667				
Total Assets	\$ 34,195				

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

Assets measured at fair value on a recurring basis for the PBOP Plan as of December 31, 2016 and 2015 are as follows (\$'000's):

Description	Fair Value Measurements at Reporting Date Using			
	Balance as of December 31,	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2016				
PBOP Plan Assets:				
Mutual Funds:				
Fixed Income Funds	\$ 1,826	\$ 1,826	\$ ---	\$ ---
Equity Funds	2,355	2,355	---	---
Total Mutual Funds	4,181	4,181	---	---
Cash Equivalents	103	103	---	---
Total Assets	\$ 4,284	\$ 4,284	\$ ---	\$ ---
2015				
PBOP Plan Assets:				
Mutual Funds:				
Fixed Income Funds	\$ 1,785	\$ 1,785	\$ ---	\$ ---
Equity Funds	2,037	2,037	---	---
Total Assets	\$ 3,822	\$ 3,822	\$ ---	\$ ---

Employee 401(k) Tax Deferred Savings Plan --- The Company co-sponsors the Unitil Corporation Tax Deferred Savings and Investment Plan (the 401(k) Plan) under Section 401(k) of the Internal Revenue Code and covering substantially all of the Company's employees. Participants may elect to defer current compensation by contributing to the plan. Employees may direct, at their sole discretion, the investment of their savings plan balances (both the employer and employee portions) into a variety of investment options, including a Company common stock fund.

The Company's share of contributions to the 401(k) Plan was \$600,300, \$575,000 and \$538,000 for the years ended December 31, 2016, 2015, and 2014, respectively.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

NOTE 9: OPERATING REVENUES AND SALES MARGIN (unaudited)

Operating Revenues and Sales Margin – The following table details Operating Revenue and Sales Margin for the last three years:

Operating Revenues (\$ millions)

	2016	2015	2014	Change			
				2016 vs. 2015		2015 vs. 2014	
				\$	%	\$	%
Operating Revenue	\$ 132.2	\$ 154.7	\$ 151.0	\$ (22.5)	(14.5%)	\$ 3.7	2.5%
Cost of Electric Sales	\$ 75.5	\$ 97.1	\$ 95.9	\$ (21.6)	(22.2%)	\$ 1.2	1.3%
Sales Margin	\$ 56.7	\$ 57.6	\$ 55.1	\$ (0.9)	(1.6%)	\$ 2.5	4.5%

The Company analyzes operating results using Sales Margin, a non-GAAP measure. Sales Margin is calculated as Operating Revenues less Cost of Electric Sales. The Company believes Sales Margin is an important measure to analyze profitability because the approved cost of sales are tracked costs that are passed through directly to the customer resulting in an equal and offsetting amount reflected in Operating Revenues. Sales Margin can be reconciled to Operating Income, a GAAP measure, by including Operation and Maintenance, Depreciation and Amortization and Taxes Other Than Income Taxes.

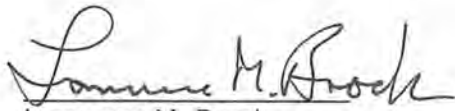
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT


UNITIL ENERGY SYSTEMS, INC.
For the Period Ended December 31, 2017

UNITIL ENERGY SYSTEMS, INC.
CERTIFICATION TO NOTEHOLDERS

I hereby certify that the accompanying Balance Sheets as of December 31, 2017 and December 31, 2016, Statements of Earnings for the years ended December 31, 2017, 2016 and 2015, Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015, and Statements of Changes in Shareholder's Equity for the years ended December 31, 2017, 2016 and 2015, were, to the best of my knowledge and belief, properly prepared and are correct.

I further certify that I have reviewed the provisions of the Unitil Energy System Inc.'s Bond Purchase Agreements, and to the best of my knowledge and belief the Company was, and remains in compliance with the provisions of these Agreements and no Event of Default exists or occurred during the period of the financial statements ending December 31, 2017 and up to the date of this certification.


Laurence M. Brock
Controller


David Chong
Treasurer

April 4, 2018



Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116-5022

USA

Tel: + 1 617 437 2000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Unitil Energy Systems, Inc.
Hampton, NH

We have audited the accompanying financial statements of Unitil Energy Systems, Inc. (the "Company") (a wholly-owned subsidiary of Unitil Corporation), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of earnings, changes in shareholder's equity, and cash flows for each of the three years in the period ended December 31, 2017 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Unitil Energy Systems, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended

December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying financial statements have been prepared from the separate records maintained by the Company and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had been operated as an unaffiliated company. Portions of certain income and expenses represent allocations made from home-office items applicable to the company as a whole.

Deloitte + Touche LLP

Boston, MA
April 4, 2018

UNITIL ENERGY SYSTEMS, INC.
STATEMENTS OF EARNINGS
(\$ in Millions)

	Year Ended December 31,		
	2017	2016	2015
Operating Revenues	\$ 143.2	\$ 132.2	\$ 154.7
Operating Expenses:			
Cost of Electric Sales	81.1	75.5	97.1
Operation and Maintenance	22.4	21.0	21.0
Depreciation and Amortization	14.5	14.1	14.1
Taxes Other Than Income Taxes	6.2	5.8	5.2
Total Operating Expenses	124.2	116.4	137.4
Operating Income	19.0	15.8	17.3
Interest Expense	5.8	5.8	6.1
Other (Income) Expense, net	(0.8)	(0.7)	(0.6)
Income Before Income Taxes	14.0	10.7	11.8
Income Taxes	5.5	3.9	4.6
Net Income Applicable to Common Stock	\$ 8.5	\$ 6.8	\$ 7.2

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
BALANCE SHEETS
(\$ in Millions)

	December 31,	
	2017	2016
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 3.0	\$ 2.7
Accounts Receivable – Net of Allowance for Doubtful Accounts of \$0.4 and \$0.5	20.0	15.6
Accrued Revenue	15.3	14.0
Due from Affiliates	1.7	2.5
Materials and Supplies	1.0	1.1
Prepayments and Other	2.1	1.9
Total Current Assets	43.1	37.8
Utility Plant:		
Electric	324.2	294.4
Construction Work in Progress	7.1	16.6
Utility Plant	331.3	311.0
Less: Accumulated Depreciation	98.1	92.1
Net Utility Plant	233.2	218.9
Other Noncurrent Assets:		
Regulatory Assets	37.4	34.2
Other Assets	0.8	0.8
Total Other Noncurrent Assets	38.2	35.0
TOTAL ASSETS	\$ 314.5	\$ 291.7

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
BALANCE SHEETS
(\$ in Millions, except par value and shares data)

	December 31,	
	2017	2016
LIABILITIES AND CAPITALIZATION:		
Current Liabilities:		
Accounts Payable	\$ 15.8	\$ 12.1
Short-Term Debt	21.4	16.8
Long-Term Debt, Current Portion	6.4	1.4
Energy Supply Obligations	2.7	1.9
Regulatory Liabilities	3.7	3.9
Other Current Liabilities	5.0	6.9
Total Current Liabilities	55.0	43.0
Noncurrent Liabilities:		
Energy Supply Obligations	0.9	1.3
Deferred Income Taxes	23.2	26.6
Cost of Removal Obligations	16.3	14.1
Retirement Benefit Obligations	55.2	55.2
Regulatory Liabilities	17.1	—
Other Noncurrent Liabilities	0.7	0.5
Total Noncurrent Liabilities	113.4	97.7
Capitalization:		
Long-term Debt, Less Current Portion	65.2	71.6
Stockholders' Equity:		
Common Stock, No Par Value		
Authorized - 250,000 shares		
Issued and Outstanding - 131,746 shares	42.4	42.4
Retained Earnings	38.3	36.8
Total Stockholders' Equity	80.7	79.2
Preferred Stock:		
Preferred Stock, Non-Redeemable, Non-Cumulative:		
6.00% Series, \$100 Par Value	0.2	0.2
Total Stockholders' Equity	80.9	79.4
Total Capitalization	146.1	151.0
Commitments and Contingencies (Note 6)		
TOTAL LIABILITIES AND CAPITALIZATION	\$ 314.5	\$ 291.7

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
(\$ in Millions)

	Year Ended December 31,		
	2017	2016	2015
Operating Activities:			
Net Income	\$ 8.5	\$ 6.8	\$ 7.2
Adjustments to Reconcile Net Income to			
Cash Provided by Operating Activities:			
Depreciation and Amortization	14.5	14.1	14.1
Deferred Tax Provision	5.7	3.9	3.6
Changes in Working Capital:			
Accounts Receivable	(4.4)	—	1.2
Accrued Revenue and Energy Supply Obligations	(0.5)	0.2	0.5
Accounts Payable	3.7	0.2	(5.9)
Due to/from Affiliates	0.8	(0.8)	3.3
Regulatory Liabilities	(0.2)	(1.0)	(0.5)
Other Changes in Working Capital Items	(2.0)	0.7	1.3
Deferred Regulatory and Other Charges	(3.0)	1.8	3.0
Other, net	0.9	(2.8)	(2.4)
Cash Provided by Operating Activities	24.0	23.1	25.4
Investing Activities:			
Property, Plant, and Equipment Additions	(20.6)	(22.7)	(23.1)
Cash Used in Investing Activities	(20.6)	(22.7)	(23.1)
Financing Activities:			
Proceeds from (Repayment of) Short-Term Debt, net	4.6	8.0	(2.0)
Repayment of Long-Term Debt	(1.5)	(3.0)	(3.0)
Equity Contribution	—	—	5.0
Dividends Paid	(6.2)	(5.0)	(5.3)
Cash (Used in) Financing Activities	(3.1)	—	(5.3)
Net Increase (Decrease) in Cash and Cash Equivalents	0.3	0.4	(3.0)
Cash and Cash Equivalents at Beginning of Year	2.7	2.3	5.3
Cash and Cash Equivalents at End of Year	\$ 3.0	\$ 2.7	\$ 2.3
Supplemental Cash Flow Information:			
Interest Paid	\$ 5.3	\$ 5.4	\$ 5.9
Income Taxes Paid	\$ 0.2	\$ 1.3	\$ 1.0
Non-cash Investing Activity:			
Capital Expenditures Included in Accounts Payable	\$ 0.1	\$ 0.1	\$ 0.1

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(\$ in Millions)

	<u>Common Equity</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at January 1, 2015	\$ 37.4	\$ 32.9	\$ 70.3
Net Income		7.2	7.2
Dividends Declared		(5.2)	(5.2)
Equity Contribution	5.0		5.0
Balance at December 31, 2015	\$ 42.4	\$ 34.9	\$ 77.3
Net Income		6.8	6.8
Dividends Declared		(4.9)	(4.9)
Balance at December 31, 2016	\$ 42.4	\$ 36.8	\$ 79.2
Net Income		8.5	8.5
Dividends Declared		(7.0)	(7.0)
Balance at December 31, 2017	<u>\$ 42.4</u>	<u>\$ 38.3</u>	<u>\$ 80.7</u>

(The accompanying Notes are an integral part of these financial statements.)

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Unitil Energy Systems, Inc. (Unitil Energy or Company), a wholly-owned subsidiary of Unitil Corporation, provides electric service in New Hampshire and is subject to regulation by the New Hampshire Public Utilities Commission (NHPUC). Unitil Energy's accounting policies conform with Generally Accepted Accounting Principles in the United States of America (U.S. GAAP), as applied in the case of regulated public utilities, and are in accordance with the accounting requirements of the NHPUC and the Federal Energy Regulatory Commission (FERC). A description of Unitil Energy's significant accounting policies follows.

Transactions with Affiliates - In addition to its investment in Unitil Energy, Unitil Corporation has interests in two other distribution utility companies, one doing business in New Hampshire and Maine and one doing business in Massachusetts, an interstate natural gas transmission pipeline company, a service company (Unitil Service Corp.), a realty company, a power company, and a non-regulated energy consulting company.

Transactions among Unitil Energy and other affiliated companies include professional and management services rendered by Unitil Service Corp. of approximately \$14.1 million, \$13.9 million and \$13.5 million in 2017, 2016 and 2015, respectively. The Company's transactions with affiliated companies are subject to review by the NHPUC, the Securities and Exchange Commission (SEC) and the FERC.

In 2015, Unitil Energy received a capital contribution of \$5.0 million from Unitil.

Prior to May 1, 2003, Unitil Energy purchased all of its power supply from Unitil Power Corp. (Unitil Power) under the Unitil System Agreement, a FERC-regulated tariff, which provided for the recovery of all of Unitil Power's power supply-related costs on a cost pass-through basis. Effective May 1, 2003, Unitil Energy and Unitil Power amended the Unitil System Agreement, such that power sales from Unitil Power to Unitil Energy ceased, and Unitil Power sold substantially all of its entitlements under the remaining portfolio of power supply contracts. Under the amended Unitil System Agreement, Unitil Energy continues to pay contract release payments to Unitil Power for costs associated with the portfolio sale and its other ongoing power supply-related costs. As of December 31, 2017, the obligations related to these divestitures were \$1.2 million and are recorded in Energy Supply Obligations on the Company's Balance Sheets with corresponding regulatory assets recorded in Accrued Revenue (current portion of \$0.3 million) and Regulatory Assets (long-term portion of \$0.9 million). Recovery of the contract release payments by Unitil Energy from its retail customers has been approved by the NHPUC.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, and requires disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value—The Financial Accounting Standards Board (FASB) Codification defines fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the FASB Codification are described below:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3.

There have been no changes in the valuation techniques used during the current period.

Utility Revenue Recognition - Regulated utility revenues are based on rates and charges approved by federal and state regulatory commissions. Revenues related to the sale of electric service are recorded when service is rendered or energy is delivered to customers. The determination of energy sales to individual customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each calendar month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is estimated. This unbilled revenue is estimated each month based on estimated customer usage by class and applicable customer rates.

Depreciation - Depreciation expense is calculated on a group straight-line basis based on the useful lives of assets, and judgment is involved when estimating the useful lives of certain assets. The Company conducts independent depreciation studies on a periodic basis as part of the regulatory ratemaking process and considers the results presented in these studies in determining the useful lives of the Company's fixed assets. A change in the estimated useful lives of these assets could have a material impact on the Company's Financial Statements. Provisions for depreciation were equivalent to the following composite rates, based on the average depreciable property balances at the beginning and end of each year: 2017 - 3.52%, 2016 - 3.46% and 2015 - 3.64%. Depreciation expense for Unitil Energy was \$10.6 million, \$9.7 million and \$9.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Consumption Taxes - The Company bills its customers consumption tax in New Hampshire. These taxes are remitted to the department of revenue and are excluded from revenues on the Company's Statements of Earnings.

Income Taxes - The Company is subject to Federal and State income taxes as well as various other business taxes. This process involves estimating the Company's current tax liabilities as well as assessing temporary and permanent differences resulting from the timing of the deductions of expenses and recognition of taxable income for tax and book accounting purposes. These temporary differences result in

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

deferred tax assets and liabilities, which are included in the Company's Balance Sheets. The Company accounts for income tax assets, liabilities and expenses in accordance with the FASB Codification guidance on Income Taxes. The Company classifies penalty and interest expense related to income tax liabilities as income tax expense and interest expense, respectively, in the Statements of Earnings.

Provisions for income taxes are calculated in each of the jurisdictions in which the Company operates for each period for which a statement of earnings is presented. The Company accounts for income taxes in accordance with the FASB Codification guidance on Income Taxes, which requires an asset and liability approach for the financial accounting and reporting of income taxes. Significant judgments and estimates are required in determining the current and deferred tax assets and liabilities. The Company's deferred tax assets and liabilities reflect its best assessment of estimated future taxes to be paid. In accordance with the FASB Codification, the Company periodically assesses the realization of its deferred tax assets and liabilities and adjusts the income tax provision, the current tax liability and deferred taxes in the period in which the facts and circumstances which gave rise to the revision become known.

Unitil Corporation and its subsidiaries, including Unitil Energy, file consolidated federal income tax returns as well as combined or separate state income tax returns. Federal and state income taxes paid by Unitil Corporation are collected from, or refunded to, Unitil Corporation's subsidiaries based on a tax sharing agreement between Unitil Corporation and each of its affiliated subsidiaries. The tax sharing agreement apportions taxes paid among Unitil Corporation and its subsidiaries as though each affiliate had filed a separate tax return.

Cash and Cash Equivalents – Cash and Cash Equivalents includes all cash and cash equivalents to which the Company has legal title. Cash equivalents include short-term investments with original maturities of three months or less and interest bearing deposits. Under the Independent System Operator – New England (ISO-NE) Financial Assurance Policy (Policy), the Company is required to provide assurance of its ability to satisfy its obligations to ISO-NE. Under this Policy, the Company provides cash deposits covering approximately 2-1/2 months of outstanding obligations. On December 31, 2017 and 2016, the Company had deposited \$2.7 million and \$2.3 million, respectively to satisfy its ISO-NE Policy obligations. These amounts are included in Cash and Cash Equivalents on the Company's Balance Sheets.

Allowance for Uncollectible Accounts - The Company recognizes a Provision for Doubtful Accounts each month. The amount of the monthly Provision is based upon the Company's experience in collecting electric utility service accounts receivable in prior periods. Account write-offs and recoveries are processed monthly. At the end of each month, an analysis of the delinquent receivables is performed and the adequacy of the Allowance for Doubtful Accounts is reviewed. The analysis takes into account the amount of written-off receivables that are recoverable through regulatory rate reconciling mechanisms. The Company is authorized by regulators to recover the supply-related portion of its written-off accounts from customers through periodically reconciling rate mechanisms. Evaluating the adequacy of the Allowance for Doubtful Accounts requires judgment about the assumptions used in the analysis. Also, the Company has experienced periods when state regulators have extended the periods during which certain standard credit and collection activities of utility companies are suspended. In periods when account write-offs exceed estimated levels, the Company adjusts the Provision for Doubtful Accounts to maintain an adequate Allowance for Doubtful Accounts balance.

Accrued Revenue - Accrued Revenue includes the current portion of Regulatory Assets (see "Regulatory Accounting" below) and unbilled revenues (see "Utility Revenue Recognition" above.) The following table shows the components of Accrued Revenue as of December 31, 2017 and 2016.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

Accrued Revenue (\$ millions)	December 31,	
	2017	2016
Regulatory Assets – Current	\$ 10.4	\$ 9.7
Unbilled Revenues	4.9	4.3
Total Accrued Revenue	\$ 15.3	\$ 14.0

Materials and Supplies – Materials and Supplies consist of distribution line construction and repair materials. It also consists of distribution substation repair materials. Materials and Supplies are stated at average cost and are issued from stock using the average cost of existing stock. Materials and Supplies are recorded when purchased and subsequently charged to expense or capitalized to property, plant, and equipment when installed. Materials and Supplies were \$1.0 million and \$1.1 million at December 31, 2017 and 2016, respectively.

Utility Plant – The cost of additions to Utility Plant and the cost of renewals and betterments are capitalized. Cost consists of labor, materials, services and certain indirect construction costs, including an allowance for funds used during construction (AFUDC). The average interest rates applied to AFUDC were 4.32%, 3.12% and 1.80% in 2017, 2016 and 2015, respectively. The costs of current repairs and minor replacements are charged to operating expense accounts. The original cost of utility plant retired or otherwise disposed of and the cost of removal, less salvage, are charged to the accumulated provision for depreciation. The Company includes in its mass asset depreciation rates, which are periodically reviewed as part of its ratemaking proceedings, cost of removal amounts to provide for future negative salvage value. At December 31, 2017 and 2016, the Company estimates that the cost of removal amounts, which are recorded on the Company's Balance Sheets in Cost of Removal Obligations are \$16.3 million and \$14.1 million, respectively.

Regulatory Accounting – Unitil Energy's principal business is the distribution of electricity. The Company is subject to regulation by the NHPUC and the FERC. Accordingly, the Company uses the Regulated Operations guidance as set forth in the FASB Codification. The Company has recorded Regulatory Assets and Regulatory Liabilities which will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

Regulatory Assets consist of the following (\$ millions)	December 31,	
	2017	2016
Retirement Benefits	\$ 31.6	\$ 28.2
Energy Supply & Other Rate Adjustment Mechanisms	9.2	8.2
Deferred Storm Charges	6.2	6.3
Income Taxes	---	0.4
Other	0.8	0.8
Total Regulatory Assets	\$ 47.8	\$ 43.9
Less: Current Portion of Regulatory Assets ⁽¹⁾	10.4	9.7
Regulatory Assets – noncurrent	\$ 37.4	\$ 34.2

(1) Reflects amounts included in Accrued Revenue on the Company's Balance Sheets.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

Regulatory Liabilities consist of the following (\$ millions)	December 31,	
	2017	2016
Rate Adjustment Mechanisms	\$ 3.7	\$ 3.9
Income Taxes (Note 7)	17.1	---
Total Regulatory Liabilities	20.8	3.9
Less: Current Portion of Regulatory Liabilities	3.7	3.9
Regulatory Liabilities - noncurrent	\$ 17.1	\$ ---

Generally, the Company receives a return on investment on its Regulatory Assets for which a cash outflow has been made. Regulatory commissions can reach different conclusions about the recovery of costs, which can have a material impact on the Company's Financial Statements. The Company believes it is probable that it will recover its investments in long-lived assets, including regulatory assets.

If the Company, or a portion of its assets or operations, were to cease meeting the criteria for application of these accounting rules, accounting standards for businesses in general would become applicable and immediate recognition of any previously deferred costs, or a portion of deferred costs, would be required in the year in which the criteria are no longer met, if such deferred costs were not recoverable in the portion of the business that continues to meet the criteria for application of the FASB Codification topic on Regulated Operations. If unable to continue to apply the FASB Codification provisions for Regulated Operations, the Company would be required to apply the provisions for the Discontinuation of Rate-Regulated Accounting included in the FASB Codification. In the Company's opinion, its regulated operations will be subject to the FASB Codification provisions for Regulated Operations for the foreseeable future.

Derivatives – The Company enters into wholesale electric energy supply contracts to serve its customers. The Company's policy is to review each contract and determine whether they meet the criteria for classification as derivatives. As of December 31, 2017, the Company determined that none of its wholesale electric energy supply contracts met the criteria for recognition as a derivative instrument as the contracts qualify for the normal purchase and sale scope exemption per the FASB Codification as it applies to derivative instruments.

Energy Supply Obligations – The following discussion and table summarize the nature and amounts of the items recorded as Energy Supply Obligations on the Company's Balance Sheets.

Power Supply Contract Divestitures - As a result of the restructuring of the utility industry in New Hampshire, Unitil Energy's customers have the opportunity to purchase their electric or natural gas supplies from third-party suppliers. In connection with the implementation of retail choice, Unitil Power, which formerly functioned as the wholesale power supply provider for Unitil Energy, divested its long-term power supply contracts through the sale of the entitlements to the electricity sold under those contracts. Unitil Energy recovers in its rates all the costs associated with the divestiture of its power supply portfolios and has secured regulatory approval from the NHPUC for the recovery of power supply-related stranded costs. As of December 31, 2017, the obligations related to these divestitures were \$1.2 million and are recorded in Energy Supply Obligations on the Company's Balance Sheets with corresponding regulatory assets recorded in Accrued Revenue (current portion of \$0.3 million) and Regulatory Assets (long-term portion of \$0.9 million).

Renewable Energy Portfolio Standards - Renewable Energy Portfolio Standards (RPS) require retail electricity suppliers, including public utilities, to demonstrate that required percentages of their sales are met with power generated from certain types of resources or technologies. Compliance is demonstrated by purchasing and retiring Renewable Energy Certificates (REC) generated by facilities approved by the

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

state as qualifying for REC treatment. Unitil Energy purchases RECs in compliance with RPS legislation in New Hampshire for supply provided to default service customers. RPS compliance costs are a supply cost that is recovered in customer default service rates. Unitil Energy collects RPS compliance costs from customers throughout the year and demonstrates compliance for each calendar year on the following July 1. Due to timing differences between collection of revenue from customers and payment of REC costs to suppliers, Unitil Energy typically maintains accrued revenue for RPS compliance which is recorded in Accrued Revenue with a corresponding liability in Energy Supply Obligations on the Company's Balance Sheets.

Energy Supply Obligations consist of the following: (\$ millions)	December 31,	
	2017	2016
Current:		
Power Supply Contract Divestitures	\$ 0.3	\$ 0.3
Renewable Energy Portfolio Standards	2.4	1.6
Total Energy Supply Obligations – Current	\$ 2.7	\$ 1.9
Long-Term:		
Power Supply Contract Divestitures	\$ 0.9	\$ 1.3
Total Energy Supply Obligations	\$ 3.6	\$ 3.2

Retirement Benefit Obligations – The Company co-sponsors the Unitil Corporation Retirement Plan (Pension Plan), which is a defined benefit pension plan. The Pension Plan is closed to new non-union employees. The Pension Plan was closed to union employees covered under the collective bargaining agreement, entered into during 2012 between Unitil Energy and IBEW Local 1837, and hired subsequent to June 1, 2012. The Company also co-sponsors a non-qualified retirement plan, the Unitil Corporation Supplemental Executive Retirement Plan (SERP), covering certain executives of the Company and an employee 401(k) savings plan. Additionally, the Company co-sponsors the Unitil Employee Health and Welfare Benefits Plan (PBOP Plan), primarily to provide health care and life insurance benefits to retired employees.

The Company records on its balance sheets a liability for the underfunded status of its retirement benefit obligations (RBO) based on the projected benefit obligation. The Company has recognized a corresponding Regulatory Asset, to recognize the future collection of these obligations in electric rates. See Note 8.

Off-Balance Sheet Arrangements – As of December 31, 2017, the Company does not have any significant arrangements that would be classified as Off-Balance Sheet Arrangements. In the ordinary course of business, the Company does contract for certain office and other equipment and motor vehicles under operating leases and, in the Company's opinion, the amount of these transactions is not material.

Concentrations of Credit Risk – Financial instruments that subject the Company to credit risk concentrations consist of cash and cash equivalents and accounts receivable. The Company's cash and cash equivalents are held at financial institutions and at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. Accounts receivable may be affected by changes in economic conditions. However, the Company believes that the credit risk associated with accounts receivable is offset by the diversification of the Company's customer base. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents and accounts receivable.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

Commitments and Contingencies – The Company's accounting policy is to record and/or disclose commitments and contingencies in accordance with the FASB Codification as it applies to an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. As of December 31, 2017, the Company is not aware of any material commitments or contingencies other than those disclosed in the Commitments and Contingencies footnote to the Company's Financial Statements below. See Note 6.

Recently Issued Pronouncements – In August 2017, the FASB issued Accounting Standards Update (ASU) No. 2017-12, "Derivatives and Hedging (Topic 815)", to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and to make certain targeted improvements to simplify the application of the hedge accounting guidance in current generally accepted accounting principles in the United States of America (GAAP). The amendments are effective for all entities for annual periods beginning after December 15, 2018, including interim periods within those annual periods, and will be applied prospectively. Early adoption is permitted. The Company adopted this new guidance and it did not have a material impact on the Company's Financial Statements.

In May 2017, the FASB issued Accounting Standards Update ASU No. 2017-09, "Compensation - Stock Compensation (Topic 718) - Scope of Modification Accounting", to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new standard, modification is required only if the fair value, the vesting conditions, or the classification of an award as equity or liability changes as a result of the change in terms or conditions. The amendments are effective for all entities for annual periods beginning after December 15, 2017, including interim periods within those annual periods, and will be applied prospectively. Early adoption is permitted. The Company adopted this new guidance and it did not have a material impact on the Company's Financial Statements.

In March 2017, the FASB issued ASU No. 2017-07, "Compensation – Retirement Benefits (Topic 715)" which amends the existing guidance relating to the presentation of net periodic pension cost and net periodic other post-retirement benefit costs. On a retrospective basis, the amendment requires an employer to separate the service cost component from the other components of net benefit cost and provides explicit guidance on how to present the service cost component and other components in the income statement. In addition, on a prospective basis, the ASU limits the component of net benefit cost eligible to be capitalized to service costs. The ASU became effective for the Company on January 1, 2018. The change in capitalization of retirement benefits will not have a material impact on the Company's Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which amends existing revenue recognition guidance, effective January 1, 2018. The objective of the new standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability across entities, industries, jurisdictions, and capital markets and to provide more useful information to users of financial statements through improved and expanded disclosure requirements.

The majority of the Company's revenue, including energy provided to customers, is from tariff offerings that provide electricity without a defined contractual term. For such arrangements, the Company generally expects that the revenue from contracts with these customers will continue to be equivalent to the electricity supplied and billed in that period (including unbilled revenues) and the adoption of the new guidance will not result in a significant shift in the timing of revenue recognition for such sales.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

The Company intends to use the modified retrospective method when adopting the new standard on January 1, 2018. The Company expects that the impact of the new guidance will be immaterial to the Financial Statements. Upon adoption of ASU 2014-09, the Company plans to disclose revenues from contracts with customers separately from rate adjustment mechanism revenue.

In March 2016, the FASB issued ASU 2016-09, which provides for improvements to employee share-based payment accounting. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. ASU 2016-09 simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The Company adopted this new guidance in the first quarter of 2017 and it did not have an impact on the Company's Financial Statements.

In February 2016, the FASB issued ASU 2016-02, Leases, Topic 842, which amends the existing guidance relating to the definition of a lease, recognition of lease assets and lease liabilities on the balance sheet, and the disclosure of key information about leasing arrangements. In November 2017, the FASB tentatively decided to amend the new leasing guidance such that entities may elect not to restate their comparative periods in the period of adoption. Under the new standard, all lessees must recognize an asset and liability on the balance sheet. Operating leases were previously not recognized on the balance sheet. The ASU will be effective for the Company on January 1, 2019, with early adoption permitted. The Company plans to adopt this guidance in the first quarter of 2019. The Company expects this ASU to increase lease assets and lease liabilities on the Balance Sheets and does not expect the guidance will have a material impact on the Statements of Income, Statements of Cash Flows and lease disclosures.

In January 2016, the FASB issued Accounting Standards Update (ASU) 2016-01 which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. A financial instrument is defined as cash, evidence of ownership interest in a company or other entity, or a contract that both: (i) imposes on one entity a contractual obligation either to deliver cash or another financial instrument to a second entity or to exchange other financial instruments on potentially unfavorable terms with the second entity and (ii) conveys to that second entity a contractual right either to receive cash or another financial instruments from the first entity or to exchange other financial instruments on potentially favorable terms with the first entity. The ASU became effective for the Company on January 1, 2018 and the Company determined that it will not have a material impact on the Company's Financial Statements.

Other than the pronouncements discussed above, there are no recently issued pronouncements that the Company has not already adopted or that have a material impact on the Company.

Subsequent Events – The Company has evaluated all events or transactions through April 4, 2018, the date the Financial Statements were available to be issued. During this period, the Company did not have any material subsequent events that would result in adjustment to or disclosure in its Financial Statements.

NOTE 2: DEBT AND FINANCING ARRANGEMENTS

Long-Term Debt and Interest Expense

Substantially all the property of the Company is subject to liens of indenture under which First Mortgage Bonds (FMB) have been issued. Certain of the Company's long-term debt agreements contain provisions, which, among other things, limit the incursion of additional long-term debt. In order to issue new FMB securities, the customary covenants of the existing Unitil Energy Indenture Agreement must be met, including that Unitil Energy have sufficient available net bondable plant to issue the securities and

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

projected earnings available for interest charges equal to at least two times the annual interest requirement. The Unitil Energy agreements further require that if Unitil Energy defaults on any Unitil Energy FMB securities, it would constitute a default for all Unitil Energy FMB securities. The Unitil Energy default provisions are not triggered by the actions or defaults of other companies owned by Unitil Corporation. The Unitil Energy Indenture Agreement contains covenants restricting the ability of the Company to incur additional liens and to enter into sale and leaseback transactions, and restricting the ability of the Company to consolidate with, to merge with or into or to sell or otherwise dispose of all or substantially all of its assets.

Details of long-term debt at December 31, 2017 and 2016 are shown below:

Long-term Debt (\$ millions)	December 31,	
	2017	2016
First Mortgage Bonds:		
5.24% Series, Due March 2, 2020	\$ 15.0	\$ 15.0
8.49% Series, Due October 14, 2024	7.5	9.0
6.96% Series, Due September 1, 2028	20.0	20.0
8.00% Series, Due May 1, 2031	15.0	15.0
6.32% Series, Due September 15, 2036	15.0	15.0
Total Long-Term Debt	72.5	74.0
Less: Unamortized Debt Issuance Costs	0.9	1.0
Total Long-Term Debt, net of Unamortized Debt Issuance Costs	71.6	73.0
Less: Current Portion	6.4	1.4
Total Long-Term Debt, Less Current Portion	\$ 65.2	\$ 71.6

The aggregate amount of bond repayment requirements is \$6.5 million in 2018; \$8.5 million in each of 2019 and 2020; \$3.5 million in 2021; \$5.0 million in 2022; and \$40.5 million thereafter.

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities. The fair value of the Company's long-term debt at December 31, 2017 is estimated to be approximately \$84.8 million, before considering any costs, including prepayment costs, to market the Company's debt. Currently, management believes that there is no active market in the Company's debt securities, which have all been sold through private placements. If there were an active market for the Company's debt securities, the fair value of the Company's long-term debt would be estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities. The fair value of the Company's long-term debt is estimated using Level 2 inputs (valuations based on quoted prices available in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are directly observable, and inputs derived principally from market data.) In estimating the fair value of the Company's long-term debt, the assumed market yield reflects the Moody's Baa Utility Bond Average Yield. Costs, including prepayment costs, associated with the early settlement of long-term debt are not taken into consideration in determining fair value.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

Credit Arrangements

Unitil Energy's short-term borrowings are presently provided under a cash pooling and loan agreement between Unitil Corporation and its subsidiaries. Under the existing pooling and loan agreement, Unitil Corporation borrows, as required, from its banks on behalf of its subsidiaries. At December 31, 2017, Unitil Corporation had unsecured committed bank lines of credit for short-term debt aggregating \$120 million. The weighted average interest rates on all short-term borrowings were 2.4%, 1.8% and 1.5% during 2017, 2016 and 2015, respectively. Unitil Energy had short-term debt outstanding through bank borrowings of approximately \$21.4 million and \$16.8 million at December 31, 2017 and December 31, 2016, respectively.

Leases

The Company leases some of its vehicles, machinery and office equipment under operating lease arrangements. The following is a schedule of future operating lease payment obligations as of December 31, 2017:

Year Ending December 31 (\$000's)	
2018	\$ 355
2019	314
2020	291
2021	255
2022	183
2023 - 2027	109
Total Future Operating Lease Payments	<u>\$ 1,507</u>

Total rental expense charged to operations for the years ended December 31, 2017, 2016 and 2015 amounted to \$582,000, \$524,000 and \$485,000, respectively.

NOTE 3: RESTRICTION ON DIVIDENDS

Under the terms of the Indenture of Mortgage and Deed of Trust and the supplemental indentures thereto relating to Unitil Energy's First Mortgage Bonds, \$54.3 million was available for dividends and similar distributions at December 31, 2017. Common dividends declared by Unitil Energy are paid exclusively to Unitil Corporation.

NOTE 4: NON-REDEEMABLE, NON-CUMULATIVE PREFERRED STOCK

The 6% Non-Redeemable, Non-Cumulative Preferred Stock ranks senior to Common Stock and the holders thereof are entitled in liquidation to receive \$100 per share, plus accrued dividends. At December 31, 2017, the liquidation value of the Company's Preferred Stock was \$0.2 million.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

NOTE 5: ENERGY SUPPLY

Electric Supply:

Unitil Energy is a member of the New England Power Pool (NEPOOL) and participates in the Independent System Operator—New England (ISO-NE) markets for the purpose of facilitating wholesale electric power supply transactions, which are necessary to serve its electric customers with their supply of electricity.

Unitil Energy's customers are entitled to purchase their electric supply from competitive third-party suppliers. As of December 2017, 77% of Unitil Energy's largest customers, representing 27% of Unitil Energy's electric energy sales, are purchasing their electric power supply in the competitive market.

The number of residential customers purchasing electricity from a third party supplier stands at 11%, down slightly relative to the past two years when 13% of Unitil's residential customers in New Hampshire purchased their supply from third party suppliers. Most residential and small commercial customers continue to purchase their electric supply through Unitil's electric distribution utilities under regulated energy rates and tariffs.

Regulated Electric Power Supply

In order to provide regulated electric supply service to its customers, Unitil Energy enters into load-following wholesale electric power supply contracts to purchase electric supply from various wholesale suppliers.

Unitil Energy currently has power supply contracts with various wholesale suppliers for the provision of Default Service to its customers. Currently, with approval of the NHPUC, Unitil Energy purchases Default Service power supply contracts for small, medium and large customers every six months for 100% of the supply requirements.

The NHPUC regularly reviews alternatives to its procurement policy, which may lead to future changes in this regulated power supply procurement structure.

Regional Electric Transmission and Power Markets

Unitil Energy, as well as virtually all New England electric utilities, participates in the ISO-NE markets. ISO-NE is the Regional Transmission Organization (RTO) in New England. The purpose of ISO-NE is to assure reliable operation of the bulk power system in the most economical manner for the region. Substantially all operation and dispatching of electric generation and bulk transmission capacity in New England are performed on a regional basis. The ISO-NE tariff imposes generating capacity and reserve obligations, and provides for the use of major transmission facilities and support payments associated therewith. The most notable benefits of the ISO-NE are coordinated, reliable power system operation and a supportive business environment for the development of competitive electric markets.

Electric Power Supply Divestiture

In connection with the implementation of retail choice, Unitil Power, which formerly functioned as the wholesale power supply provider for Unitil Energy, divested its long-term power supply contracts through the sale of the entitlements to the electricity sold under those contracts. Unitil Energy recovers in its rates all the costs associated with the divestiture of its power supply portfolios and has secured regulatory approval from the NHPUC for the recovery of power supply-related stranded costs and other restructuring-related regulatory assets. The Company has a continuing obligation to submit regulatory filings that demonstrate its compliance with regulatory mandates and provide for timely recovery of costs in accordance with its approved restructuring plan.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

NOTE 6: COMMITMENTS AND CONTINGENCIES

Regulatory Matters - Overview - Unitil Energy delivers electricity to all of its customers in the Company's service territory, at rates established under traditional cost of service regulation. Under this regulatory structure, Unitil Energy recovers the cost of providing distribution service to its customers based on a representative test year, in addition to earning a return on its capital investment in utility assets. The Company's customers have the opportunity to purchase their electric supplies from third-party suppliers. Most small and medium-sized customers, however, continue to purchase such supplies through Unitil Energy as the provider of default service energy supply. Unitil Energy purchases electricity for default service from unaffiliated wholesale suppliers and recovers the actual costs of these supplies, without profit or markup, through reconciling, pass-through rate mechanisms that are periodically adjusted.

Unitil Energy provides electric distribution service to its customers pursuant to rates approved by the NHPUC. See "Base Rates" below for a discussion of the Company's current rates. As the provider of last resort, Unitil Energy also provides its customers with electric power through Default Service at rates which reflect Unitil Energy's costs for wholesale supply with no profit or markup. Unitil Energy procures Default Service power for its larger commercial and industrial customers on a quarterly basis, and for its smaller commercial and residential customers through a portfolio of longer term contracts procured on a semi-annual basis. Unitil Energy recovers its costs for this service on a pass-through basis through reconciling rate mechanisms.

Tax Cuts and Jobs Act of 2017 - At the end of December 2017, the United States Congress voted and the President signed into law major federal tax law changes (TCJA) effective for tax year 2018. Among other things, the TCJA substantially reduces the corporate income tax rate to 21 percent, effective January 1, 2018. The NHPUC has directed the company to make a filing by April 1, 2018, showing the effect of the tax law changes on rates. The Company is fully complying with this order and will make any necessary changes to its rates as directed by the NHPUC. The Company believes that the ultimate resolution of these matters will not have a material impact on its financial position, operating results or cash flows.

Base Rates - On April 20, 2017 the NHPUC issued its final order approving a settlement between Unitil Energy, Commission Staff and the Office of Consumer Advocate providing for a permanent increase of \$4.1 million in electric base rates, and a three year rate plan with an additional rate step adjustment, effective May 1, 2017, of \$0.9 million, followed by two rate step adjustments in May of 2018 and 2019 to recover the revenue requirements associated with annual capital expenditures as defined under the rate plan.

NHPUC Energy Efficiency Resource Standard Proceeding—In May 2015, the NHPUC opened a proceeding to establish an Energy Efficiency Resource Standard ("EERS"), an energy efficiency policy with specific targets or goals for energy savings that New Hampshire electric and gas utilities must meet. On April 27, 2016, a comprehensive settlement agreement was filed by the parties, including Unitil Energy, which was approved by the NHPUC on August 2, 2016. The settlement provides for: extending the 2014-2016 Core program an additional year (through 2017); establishing an EERS; establishing a recovery mechanism to compensate the utilities for lost-revenue related to the EERS programs; and approving the performance incentives and processes for stakeholder involvement, evaluation, measurement and verification, and oversight of the EERS programs. In accordance with the Settlement, on September 1, 2017, the New Hampshire electric and gas utilities jointly filed a Statewide Energy Efficiency Plan for the period 2018-2020. The Settlement and the Statewide Energy Efficiency Plan for the period 2018-2020 were approved on January 2, 2018.

Electric Grid Modernization—In July 2015, the NHPUC opened an investigation into Grid Modernization to address a variety of issues related to Distribution System Planning, Customer Engagement with

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

Distributed Energy Resources, and Utility Cost Recovery and Financial Incentives. The NHPUC engaged a consultant to direct a Working Group to investigate these issues and to prepare a final report with recommendations for the Commission. The final report was filed on March 20, 2017. This matter remains pending.

Net Metering—Pursuant to legislation that became effective in May 2016, the NHPUC opened a proceeding to consider alternatives to the net metering tariffs currently in place. The NHPUC issued an Order on June 23, 2017. The Order removes the cap on the total amount of generation capacity which may be owned or operated by customer-generators eligible for net metering. The order also adopts an alternative net metering tariff for small customer-generators (those with renewable energy systems of 100 kW or less) which will remain in effect for a period of years while further data is collected and analyzed, time-of-use and other pilot programs are implemented, and a distributed energy resource valuation study is conducted. Systems that are installed or queued during this period will have their net metering rate structure “grandfathered” until December 31, 2040. The Company does not believe that this proceeding will have a material adverse impact on the Company's financial position, operating results or cash flows.

Litigation - The Company is involved in legal and administrative proceedings and claims of various types, which arise in the ordinary course of business. The Company believes, based upon information furnished by counsel and others, that the ultimate resolution of these claims will not have a material impact on its financial position, operating results or cash flows.

Market Risk - Although the Company is subject to commodity price risk as part of its traditional operations, the current regulatory framework within which the Company operates allows for full collection of approved fuel costs in rates. Consequently, there is limited commodity price risk after consideration of the related rate-making. Additionally, as discussed above in Regulatory Matters, the Company has divested its commodity-related contracts and therefore, has further reduced its exposure to commodity risk.

NOTE 7: INCOME TAXES

Provisions for Federal and State Income Taxes reflected as operating expenses in the accompanying consolidated statements of earnings for the years ended December 31, 2017, 2016 and 2015 are shown in the table below:

	(\$000's)		
	2017	2016	2015
Current Income Tax Provision			
Federal	\$ (126)	\$ 72	\$ —
State	(67)	(87)	1,020
Total Current Income Taxes	(193)	(15)	1,020
Deferred Income Tax Provision			
Federal	4,428	2,963	3,574
State	1,223	968	(15)
Total Deferred Income Taxes	5,651	3,931	3,559
Total Income Tax Expense	\$ 5,458	\$ 3,916	\$ 4,579

The differences between the Company's provisions for Income Taxes and the provisions calculated at the statutory federal tax rate, expressed in percentages, are shown below:

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

	2017	2016	2015
Statutory Federal Income Tax Rate	34%	34%	34%
Income Tax Effects of:			
State Income Taxes, net	6	3	6
Utility Plant Differences	(1)	(1)	(1)
Tax Credits	—	—	—
Other, net	—	—	—
Effective Income Tax Rate	39%	36%	39%

Temporary differences which gave rise to deferred tax assets and liabilities in 2017 and 2016, are shown below:

Temporary Differences (000's)	2017	2016
Deferred Tax Assets		
Accrued Revenue, Current Portion	\$ 14,941	\$ 21,822
Net Operating Loss Carryforward	—	1,256
Tax Credit Carryforwards	194	202
Other, net	154	218
Total Deferred Tax Assets	\$ 15,289	\$ 23,498
Deferred Tax Liabilities		
Utility Plant Differences	\$ 35,940	\$ 47,135
Regulatory Assets & Liabilities	2,198	2,390
Other, net	394	613
Total Deferred Tax Liabilities	38,532	50,138
Net Deferred Tax Liabilities	\$ 23,243	\$ 26,640

The Company evaluated its tax positions at December 31, 2017 in accordance with the FASB Codification, and has concluded that no adjustment for recognition, derecognition, settlement and foreseeable future events to any unrecognized tax liabilities or assets as defined by the FASB Codification is required. The Company does not have any unrecognized tax positions for which it is reasonably possible that the total amounts recognized will significantly change within the next 12 months. The Company accounts for income taxes in accordance with the FASB Codification guidance on Income Taxes which requires an asset and liability approach for the financial accounting and reporting of income taxes. Significant judgments and estimates are required in determining the current and deferred tax assets and liabilities. The Company's deferred tax assets and liabilities reflect its best assessment of estimated future taxes to be paid. Periodically, the Company assesses the realization of its deferred tax assets and liabilities and adjusts the income tax provision, the current tax liability and deferred taxes in the period in which the facts and circumstances which gave rise to the revision become known. The Company recorded no interest on tax items for the years ended December 31, 2017, 2016 and 2015.

In December 2017, the Tax Cuts and Jobs Act (TCJA), which included a reduction to the corporate federal income tax rate to 21% effective January 1, 2018, was signed into law. In accordance with GAAP

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

Accounting Standard 740, the Company revalued its Accumulated Deferred Income Taxes (ADIT) at the new 21% tax rate at which the ADIT will be realized in its reversing period. The Company recorded a Regulatory Liability in the amount of \$17.1 million as a result of the ADIT revaluation. Subject to regulatory approval, the Company will pass back to ratepayers the excess ADIT according to the Average Rate Assumption Method (ARAM) as prescribed in the TCJA and IRS normalization rules. ARAM amortization passes back excess ADIT at the reversal rate of the underlying tax temporary timing difference. The Company's regulators and the IRS are each expected to issue guidance in future periods that will determine the final disposition of the re-measurement of regulatory deferred tax balances. At this time, the Company has applied a reasonable interpretation of the impact of the TCJA and a reasonable estimate of the regulatory resolution. Future clarification of the TCJA may change the amounts estimated.

In March 2018, Unitil Corporation received notice that its Federal Income Tax return filings for the years ended December 31, 2015 and December 31, 2016 are under examination by the IRS. Currently, the Company believes that the ultimate resolution of this examination will not have a material impact on the Company's financial statements. The Company remains subject to examination by New Hampshire tax authorities for the tax periods ended December 31, 2014; December 31, 2015; and December 31, 2016. Income tax filings for the year ended December 31, 2016 have been filed with the New Hampshire Department of Revenue Administration.

NOTE 8: RETIREMENT BENEFIT OBLIGATIONS

The Company co-sponsors the following retirement benefit plans to provide certain pension and postretirement benefits for its retirees and current employees as follows:

- The Unitil Corporation Retirement Plan (Pension Plan) - The Pension Plan is a defined benefit pension plan. Under the Pension Plan, retirement benefits are based upon an employee's level of compensation and length of service.
- The Unitil Retiree Health and Welfare Benefits Plan (PBOP Plan)—The PBOP Plan provides health care and life insurance benefits to retirees. The Company has established Voluntary Employee Benefit Trusts (VEBT), into which it funds contributions to the PBOP Plan.
- The Unitil Corporation Supplemental Executive Retirement Plan (SERP)—The SERP is a non-qualified retirement plan, with participation limited to executives selected by the Board of Directors.

The following table includes the key assumptions used in determining the Company's benefit plan costs and obligations:

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

Used to Determine Plan costs for years ended December 31:	2017	2016	2015
Discount Rate	4.10%	4.30%	4.00%
Rate of Compensation Increase	3.00%	3.00%	3.00%
Expected Long-term Rate of Return on Plan Assets	7.75%	8.00%	8.00%
Health Care Cost Trend Rate Assumed for Next Year	8.00%	7.00%	7.00%
Ultimate Health Care Cost Trend Rate	4.00%	4.00%	4.00%
Year that Ultimate Health Care Cost Trend Rate is reached	2025	2022	2018
Effect of 1% Increase in Health Care Cost Trend Rate (\$000's)	\$ 466	\$ 387	\$ 355
Effect of 1% Decrease in Health Care Cost Trend Rate (\$000's)	\$ (355)	\$ (295)	\$ (267)
Used to Determine Benefit Obligations at December 31:	2017	2016	2015
Discount Rate	3.60%	4.10%	4.30%
Rate of Compensation Increase	3.00%	3.00%	3.00%
Health Care Cost Trend Rate Assumed for Next Year	7.50%	8.00%	7.00%
Ultimate Health Care Cost Trend Rate	4.50%	4.00%	4.00%
Year that Ultimate Health care Cost Trend Rate is reached	2024	2025	2022
Effect of 1% Increase in Health Care Cost Trend Rate (\$000's)	\$ 5,771	\$ 5,771	\$ 3,570
Effect of 1% Decrease in Health Care Cost Trend Rate (\$000's)	\$ (4,496)	\$ (4,525)	\$ (2,803)

The Discount Rate assumptions used in determining retirement plan costs and retirement plan obligations are based on an assessment of current market conditions using high quality corporate bond interest rate indices and pension yield curves. The Rate of Compensation Increase assumption used in each of 2017, 2016 and 2015 was 3.00%, based on the expected long-term increase in compensation costs for personnel covered by the plans.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

The following table provides the components of the Company's retirement plan costs (\$000's):

	Pension Plan			PBOP Plan			SERP		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Service Cost	\$ 907	\$ 933	\$ 1,068	\$ 764	\$ 673	\$ 610	\$ 130	\$ 46	\$ 37
Interest Cost	2,152	2,147	2,054	1,211	998	810	111	109	100
Expected Return on Plan Assets	(2,595)	(2,620)	(2,589)	(298)	(270)	(296)	---	---	---
Prior Service Cost Amortization	4	4	3	485	485	487	53	54	26
Actuarial Loss Amortization	1,853	1,802	2,017	727	381	243	83	106	99
Sub-total	2,321	2,266	2,553	2,889	2,267	1,854	377	315	262
Amounts Capitalized and Deferred	(1,168)	(1,153)	(1,285)	(1,546)	(1,228)	(930)	---	---	---
NPBC Recognized	\$ 1,153	\$ 1,113	\$ 1,268	\$ 1,343	\$ 1,039	\$ 924	\$ 377	\$ 315	\$ 262

The estimated amortization related to Actuarial Loss and Prior Service Cost included in the Company's retirement plan costs or as a reduction of regulatory assets over the next fiscal year are \$2.2 million, \$1.0 million and \$0.2 million for the Pension, PBOP and SERP plans, respectively.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

The following table represents information on the plans' assets, projected benefit obligations (PBO), and funded status (\$000's):

	Pension Plan		PBOP Plan		SERP	
	2017	2016	2017	2016	2017	2016
Change in Plan Assets:						
Plan Assets at Beginning of Year	\$ 35,253	\$ 34,195	\$ 4,284	\$ 3,822	\$ ---	\$ ---
Actual Return on Plan Assets	5,224	1,353	932	243	---	---
Employer Contributions	1,204	1,538	1,121	1,113	10	10
Participant Contributions	---	---	30	12	---	---
Benefits Paid	(1,908)	(1,833)	(887)	(906)	(10)	(10)
Plan Assets at End of Year	\$ 39,773	\$ 35,253	\$ 5,480	\$ 4,284	\$ ---	\$ ---
Change in PBO:						
PBO at Beginning of Year	\$ 58,772	\$ 55,913	\$ 32,782	\$ 26,348	\$ 3,220	\$ 3,056
Service Cost	907	933	764	673	130	46
Interest Cost	2,152	2,147	1,211	998	111	109
Participant Contributions	---	---	30	12	---	---
Benefits Paid	(1,908)	(1,833)	(887)	(906)	(10)	(10)
Actuarial (Gain) or Loss	4,965	1,612	(2,366)	5,657	588	19
PBO at End of Year	\$ 64,888	\$ 58,772	\$ 31,534	\$ 32,782	\$ 4,039	\$ 3,220
Funded Status: Assets vs PBO	\$ (25,115)	\$ (23,519)	\$ (26,054)	\$ (28,498)	\$ (4,039)	\$ (3,220)

The funded status of the Pension, PBOP and SERP Plans is calculated based on the difference between the benefit obligation and the fair value of plan assets and is recorded on the balance sheets as an asset or a liability. Because the Company recovers the retiree benefit costs from customers through rates, regulatory assets are recorded in lieu of an adjustment to Accumulated Other Comprehensive Income/(Loss).

The Company has recorded on its Balance Sheets a liability for the underfunded status of its retirement benefit obligations based on the projected benefit obligation. The Company has recognized Regulatory Assets, net of tax, of \$31.6 million and \$28.2 million at December 31, 2017 and 2016, respectively, to recognize the future collection of these plan obligations in electric rates.

The Accumulated Benefit Obligation (ABO) is required to be disclosed for all plans where the ABO is in excess of plan assets. The difference between the PBO and the ABO is that the PBO includes projected compensation increases. The ABO for the Pension Plan was \$58.7 million and \$52.9 million as of December 31, 2017 and 2016, respectively. The ABO for the SERP was \$3.3 million and \$2.3 million as of December 31, 2017 and 2016, respectively. For the PBOP Plan, the ABO and PBO are the same.

The Company expects to continue to make contributions to its Pension Plan in 2018 and future years at minimum required and discretionary funding levels consistent with the amounts recovered in rates for these Pension Plan costs.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

The following table represents employer contributions, participant contributions and benefit payments (\$000's).

	Pension Plan			PBOP Plan			SERP		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Employer Contributions	\$ 1,204	\$ 1,538	\$ 1,330	\$ 1,121	\$ 1,113	\$ 926	\$ 10	\$ 10	\$ 12
Participant Contributions	\$ --	\$ --	\$ --	\$ 30	\$ 12	\$ 12	\$ --	\$ --	\$ --
Benefit Payments	\$ 1,908	\$ 1,833	\$ 1,769	\$ 887	\$ 906	\$ 979	\$ 10	\$ 10	\$ 12

The following table represents estimated future benefit payments (\$000's).

	Estimated Future Benefit Payments		
	Pension	PBOP	SERP
2018	\$ 2,052	\$ 836	\$ 25
2019	2,210	896	166
2020	2,263	950	164
2021	2,355	1,003	204
2022	2,483	1,049	201
2023 - 2027	\$ 15,316	\$ 6,466	\$ 1,147

The Expected Long-Term Rate of Return on Pension Plan assets assumption used by the Company is developed based on input from actuaries and investment managers. The Company's Expected Long-Term Rate of Return on Pension Plan assets is based on target investment allocation of 47% in common stock equities, 37% in fixed income securities, 10% in real estate securities and 6% in a combined equity and debt fund. The Company's Expected Long-Term Rate of Return on PBOP Plan assets is based on target investment allocation of 55% in common stock equities and 45% in fixed income securities. The actual investment allocations are shown in the tables below.

Pension Plan	Target Allocation	Actual Allocation at December 31,		
	2018	2017	2016	2015
Equity Funds	47%	49%	46%	46%
Debt Funds	37%	34%	37%	37%
Real Estate Fund	10%	10%	10%	11%
Asset Allocation Fund ⁽¹⁾	6%	6%	7%	6%
Other ⁽²⁾	—	1%	—	—
Total		100%	100%	100%

(1) Represents investments in an asset allocation fund. This fund invests in both equity and debt securities.

(2) Represents investments being held in cash equivalents as of December 31, 2017 pending payment of benefits.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

PBOP Plan	Target Allocation	Actual Allocation at December 31,		
	2018	2017	2016	2015
Equity Funds	55%	56%	55%	53%
Debt Funds	45%	42%	43%	47%
Other ⁽¹⁾	0%	2%	2%	---
Total		100%	100%	100%

(1) Represents investments being held in cash equivalents as of December 31, 2017 and 2016 pending transfer into debt and equity funds.

The combination of these target allocations and expected returns resulted in the overall assumed long-term rate of return of 7.75% for 2017. The Company evaluates the actuarial assumptions, including the expected rate of return, at least annually. The desired investment objective is a long-term rate of return on assets that is approximately 5 – 6% greater than the assumed rate of inflation as measured by the Consumer Price Index. The target rate of return for the Plans has been based upon an analysis of historical returns supplemented with an economic and structural review for each asset class.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016. Please also see Note 1 for a discussion of the Company's fair value accounting policy.

Equity, Fixed Income, Index and Asset Allocation Funds

These investments are valued based on quoted prices from active markets. These securities are categorized in Level 1 as they are actively traded and no valuation adjustments have been applied.

Cash Equivalents

These investments are valued at cost, which approximates fair value, and are categorized in Level 1.

Real Estate Fund

These investments are valued at net asset value (NAV) per unit based on a combination of market- and income-based models utilizing market discount rates, projected cash flows and the estimated value into perpetuity. In accordance with FASB Codification Topic 820, "Fair Value Measurement", these investments have not been classified in the fair value hierarchy. The fair value amounts presented in the tables below for the Real Estate Fund are intended to permit reconciliation of the fair value hierarchy to the "Plan Assets at End of Year" line item shown in the "Change in Plan Assets" table above.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

Assets measured at fair value on a recurring basis for the Pension Plan as of December 31, 2017 and 2016 are as follows (\$000's):

Fair Value Measurements at Reporting Date Using								
Description	Balance as of December 31,	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
2017								
Pension Plan Assets:								
Equity Funds	\$	19,582	\$	19,582	\$	---	\$	---
Fixed Income Funds		13,511		13,511		---		---
Asset Allocation Fund		2,487		2,487		---		---
Total Mutual Funds		35,580		35,580				
Cash Equivalents		466		466				
Total Assets in the Fair Value Hierarchy	\$	36,046	\$	36,046	\$	---	\$	---
Real Estate Fund – Measured at Net Asset Value		3,727						
Total Assets	\$	39,773						
2016								
Pension Plan Assets:								
Equity Funds	\$	16,312	\$	16,312	\$	---	\$	---
Fixed Income Funds		13,133		13,133		---		---
Asset Allocation Fund		2,390		2,390		---		---
Total Assets in the Fair Value Hierarchy	\$	31,835	\$	31,835	\$	---	\$	---
Real Estate Fund – Measured at Net Asset Value		3,418						
Total Assets	\$	35,253						

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

Assets measured at fair value on a recurring basis for the PBOP Plan as of December 31, 2017 and 2016 are as follows (\$000's):

Fair Value Measurements at Reporting Date Using						
Description	Balance as of December 31,	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>2017</u>						
PBOP Plan Assets:						
Mutual Funds:						
Fixed Income Funds	\$	2,280	\$	2,280	\$	---
Equity Funds		3,092		3,092		---
Total Mutual Funds		5,372		5,372		---
Cash Equivalents		108		108		---
Total Assets	\$	5,480	\$	5,480	\$	---
<u>2016</u>						
PBOP Plan Assets:						
Mutual Funds:						
Fixed Income Funds	\$	1,826	\$	1,826	\$	---
Equity Funds		2,355		2,355		---
Total Mutual Funds		4,181		4,181		---
Cash Equivalents		103		103		---
Total Assets	\$	4,284	\$	4,284	\$	---

Employee 401(k) Tax Deferred Savings Plan --- The Company co-sponsors the Unitil Corporation Tax Deferred Savings and Investment Plan (the 401(k) Plan) under Section 401(k) of the Internal Revenue Code and covering substantially all of the Company's employees. Participants may elect to defer current compensation by contributing to the plan. Employees may direct, at their sole discretion, the investment of their savings plan balances (both the employer and employee portions) into a variety of investment options, including a Company common stock fund.

The Company's share of contributions to the 401(k) Plan was \$620,300, \$600,300 and \$575,000 for the years ended December 31, 2017, 2016, and 2015, respectively.

UNITIL ENERGY SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

NOTE 9: OPERATING REVENUES AND SALES MARGIN (unaudited)

Operating Revenues and Sales Margin – The following table details Operating Revenue and Sales Margin for the last three years:

Operating Revenues (\$ millions)

	2017	2016	2015	Change			
				2017 vs. 2016		2016 vs. 2015	
				\$	%	\$	%
Operating Revenue	\$ 143.2	\$ 132.2	\$ 154.7	\$ 11.0	8.3%	\$ (22.5)	(14.5%)
Cost of Electric Sales	\$ 81.1	\$ 75.5	\$ 97.1	\$ 5.6	7.4%	\$ (21.6)	(22.2%)
Sales Margin	\$ 62.1	\$ 56.7	\$ 57.6	\$ 5.4	9.5%	\$ (0.9)	(1.6%)

The Company analyzes operating results using Sales Margin, a non-GAAP measure. Sales Margin is calculated as Operating Revenues less Cost of Electric Sales. The Company believes Sales Margin is an important measure to analyze profitability because the approved cost of sales are tracked costs that are passed through directly to the customer resulting in an equal and offsetting amount reflected in Operating Revenues. Sales Margin can be reconciled to Operating Income, a GAAP measure, by including Operation and Maintenance, Depreciation and Amortization and Taxes Other Than Income Taxes.

TWELFTH SUPPLEMENTAL INDENTURE

UNITIL ENERGY SYSTEMS, INC.
(successor to Concord Electric Company)

to

U.S. BANK NATIONAL ASSOCIATION,
TRUSTEE

Dated as of December 2, 2002

Amending and Restating the
Concord Electric Company Indenture of Mortgage and Deed of Trust

Dated as of July 15, 1958

In Connection With the Merger of
Exeter & Hampton Electric Company
into Concord Electric Company

CONCORD ELECTRIC COMPANY

TWELFTH SUPPLEMENTAL INDENTURE
Dated as of December 2, 2002

TABLE OF CONTENTS

SECTION	HEADING	PAGE
Recitals.....		1
PART ONE	RESTATEMENT OF INDENTURE.....	3
ARTICLE I	DEFINITIONS.....	7
Section 1.01.	Definitions.....	7
ARTICLE II	GENERAL PROVISIONS AS TO THE BONDS.....	15
Section 2.01.	General Limitations.....	15
Section 2.02.	General Designation.....	15
Section 2.03.	Series of Bonds	16
Section 2.04.	Form and Denomination	16
Section 2.05.	Supplemental Indenture Creating New Series	16
Section 2.06.	Request for Authentication and Delivery of Bonds	17
Section 2.07.	Execution, Authentication, Delivery.....	17
Section 2.08.	Registration of Holders	18
Section 2.09.	Persons Deemed Owners	18
Section 2.10.	Mutilated, Destroyed, Lost and Stolen Bond	19
Section 2.11.	Temporary Bond	19
ARTICLE III	BONDS OF THE OUTSTANDING SERIES AND EXCHANGE BONDS.....	19
ARTICLE IV	BONDS AGAINST PROPERTY ADDITIONS	21
Section 4.01.	Definitions for Issuing Bonds Against Property Additions	21
A—Fixed Property, Property Additions.		21
B—Purchased Property.....		22
C—Gross Expenditures for Property Additions, Gross Expenditures		22
D—Retirements		23
E—Net Retirements		23
F—Net Expenditures for Property Additions, Net Expenditures		23
G—Bonded Expenditures		24
H—Net Bondable Expenditures for Property Additions, Net Bondable Expenditures		24

Section 4.02.	Definitions for Earnings Test.....	25
A—	Gross Operating Revenues.....	25
B—	Earnings Available for Interest Charges.....	25
C—	Earnings Available for Interest Charges Certificate, Annual Interest Requirements	26
Section 4.03.	General Provisions	26
Section 4.04.	Additional Bonds Against Property Additions Issuance Tests	27
Section 4.05.	Documents Required for Authentication of Bonds.....	27
ARTICLE V	BONDS FOR REFUNDING PURPOSES	29
Section 5.01.	General Provisions	29
Section 5.02.	Issuance Requirements.....	29
ARTICLE VI	BONDS AGAINST CASH	30
Section 6.01.	General Provisions	30
Section 6.02.	Cash Withdrawal Requirements	30
ARTICLE VII	REDEMPTION OF BONDS	31
Section 7.01.	Manner of Redemption	31
Section 7.02.	Selection of Bonds to Be Redeemed.....	31
Section 7.03.	Notice of Redemption	32
Section 7.04.	Redemption Price.....	32
Section 7.05.	Partial Redemption of Bond.....	32
Section 7.06.	Deposited Moneys for Redemption	32
Section 7.07.	Cancellation of Bonds.....	32
Section 7.08.	Payment of Redemption.....	33
ARTICLE VIII	GENERAL COVENANTS.....	33
Section 8.01.	Further Actions	33
Section 8.02.	Payment.....	33
Section 8.03.	Maintain Title of Property.....	34
Section 8.04.	Taxes and Assessment; Liens	34
Section 8.05.	Conduct Business and Maintain Properties	34
Section 8.06.	Compliance with Underlying Mortgages	35
Section 8.07.	Acquisition of Property Subject to Underlying Mortgages.....	36
Section 8.08.	Records of Accounts and Certificate	37
Section 8.09.	Annual Certificate of Compliance	37
Section 8.10.	Insurance	38
Section 8.11.	Maintenance of Corporate Existence and Rights.....	38
Section 8.12.	Eminent Domain	39
Section 8.13.	Records at Trustee.....	40
Section 8.14.	No Extensions for Claims of Interest.....	40
Section 8.15.	Restricted Payments.....	40
Section 8.16.	Transactions with Affiliates.....	41

ARTICLE IX	SUPPLEMENTAL INDENTURES AND INDENTURE MODIFICATIONS	41
Section 9.01.	Supplemental Indentures without Consent of Bondholders.....	41
Section 9.02.	Modification of Indenture	42
Section 9.03.	Execution of Supplemental Indenture.....	43
Section 9.04.	Effect of Supplemental Indenture	43
ARTICLE X	POSSESSION, USE AND RELEASE OF MORTGAGED PROPERTY	43
Section 10.01.	Possession and Use of Mortgaged Property.....	43
Section 10.02.	Alterations to Mortgaged Property.....	43
Section 10.03.	Dispositions of Mortgaged Property without Release	43
Section 10.04.	Release of Mortgaged Property.....	44
Section 10.04A.	Application for Release of Mortgaged Property	46
Section 10.05.	Purchaser Protected.....	47
Section 10.06.	Company's Covenant Regarding Disposition.....	47
Section 10.07.	Powers Exercisable by Receiver or Trustee.....	47
ARTICLE XI	HOLDING AND APPLICATION OF TRUST MONEYS	48
Section 11.01.	Trust Moneys Defined	48
Section 11.02.	Withdrawal or Redemption of Outstanding Bonds.....	48
Section 11.03.	Redemption Procedures	49
Section 11.05.	Redeemed Bonds	49
ARTICLE XII	CONSOLIDATIONS, MERGERS AND SALES.....	50
Section 12.01.	Consolidation, Merger and Sales Permitted on Certain Terms.....	50
Section 12.02.	Successor Corporation Substituted	52
Section 12.03.	Opinion of Counsel Required	52
ARTICLE XIII	DISCHARGE OF INDENTURE	52
ARTICLE XIV	DEFAULT PROVISIONS AND REMEDIES	53
Section 14.01.	Events of Default Defined.....	53
Section 14.02.	Acceleration of Maturity; Rescission and Annulment.....	54
Section 14.03.	Interest on Overdue Payments	56
Section 14.04.	Entry Upon Mortgaged Property.....	56
Section 14.05.	Power of Sale	57
Section 14.06.	Suits for Enforcement; Remedies	57
Section 14.07.	Right of Bondholders to Direct Trustee.....	58
Section 14.08.	Receiver	58
Section 14.09.	Bonds Due and Payable Following Sale.....	58
Section 14.10.	Bondholders Right to Bid at Sale.....	58
Section 14.11.	Purchaser Not Responsible for Proceeds Application	58
Section 14.13.	Application of Moneys by Trustee.....	59
Section 14.14.	Waiver of Appraisalment and Other Laws.....	59

Section 14.15.	Payment Event of the Default Suits to Protect Trust Estate	60
Section 14.16.	Trustee May Enforce Claims Without Possession of Bonds	61
Section 14.17.	Limitation on Bondholder Suits.....	61
ARTICLE XV	THE TRUSTEE.....	62
Section 15.01.	Certain Duties and Responsibilities	62
Section 15.02.	Certain Rights of the Trustee	63
Section 15.03.	Trustee's Compensation.....	65
Section 15.04.	Notice of Events of Default	65
Section 15.05.	Intervention in Judicial Proceedings	66
Section 15.06.	Conversion, Merger, Consolidation or Sale of Business of Trustee.....	66
Section 15.07.	Resignation of Trustee	66
Section 15.08.	Removal of Trustee.....	66
Section 15.09.	Resignation and Removal Becoming Effective	66
Section 15.10.	Successor or Temporary Trustee.....	66
Section 15.11.	Acceptance of Appointment by Successor.....	67
Section 15.12.	Separate Trustee or Co-Trustees	67
Section 15.13.	Payment of Certain Charges.....	68
Section 15.14.	Instruments Accepted as Conclusive Evidence.....	68
Section 16.01.	Immunity of Incorporators, Stockholders, Officers, Directors and Employees	68
Section 16.02.	Evidence of Action by Bondholders; Proof of Execution.....	69
Section 16.03.	Exclusive Benefit of Indenture	69
Section 16.04.	Separability of Indenture Provisions	69
Section 16.05.	Service of Notices to the Company and the Trustee	70
Section 16.06.	Repayment of Unclaimed Money	70
Section 16.07.	Certificates or Opinions to Trustee	70
Section 16.08.	Successors and Assigns.....	70
Section 16.09.	Counterparts.....	71
Section 16.11.	New Hampshire Law Applicable	71
Signature		73
ARTICLE ONE	CREATION OF SERIES L BONDS.....	1
ARTICLE TWO	REDEMPTION.....	6
PART TWO	RESTATEMENT OF TERMS AND PROVISIONS OF MERGER DATE SERIES BONDS	
PART THREE	TERMS AND PROVISIONS OF EXCHANGE BONDS	

SCHEDULE A	—	List of Property Part I – Merrimack County Properties Part II – Rockingham County Properties
EXHIBIT A	—	Form of Bond
EXHIBIT B	—	Form of Certificate of Net Bondable Expenditures
EXHIBIT C	—	Terms and Provisions of Series I, 8.49% Bonds
EXHIBIT D	—	Terms and Provisions of Series J, 6.96% Bonds
EXHIBIT E	—	Terms and Provisions of Series K, 8.00% Bonds
EXHIBIT F	—	Terms and Provisions of Series L, 8.49% Bonds
EXHIBIT G	—	Terms and Provisions of Series M, 6.96% Bonds
EXHIBIT H	—	Terms and Provisions of Series N, 8.00% Bonds

This Twelfth Supplemental Indenture is dated as of December 2, 2002 and entered into by and between UNITIL ENERGY SYSTEMS, INC., a corporation duly organized and existing under and by virtue of the laws of the State of New Hampshire, having its principal office and place of business in Hampton, County of Rockingham in the State of New Hampshire (hereinafter sometimes referred to as the “*Company*”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association (successor to Old Colony Trust Company), having an office and place of business in Boston, Massachusetts, as Trustee (hereinafter sometimes referred to as the “*Trustee*”), with reference to the following Recitals:

RECITALS

The background of this Twelfth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee its Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (hereinafter sometimes referred to as the “*Original Indenture*”) and has executed and delivered to the Trustee, the following supplemental indentures thereto: (a) a First Supplemental Indenture dated as of January 15, 1968, (b) a Second Supplemental Indenture dated as of November 15, 1971, (c) a Third Supplemental Indenture dated as of July 1, 1975, (d) a Fourth Supplemental Indenture dated as of March 28, 1984, (e) a Fifth Supplemental Indenture dated as of June 1, 1984, (f) a Sixth Supplemental Indenture dated as of October 29, 1987, (g) a Seventh Supplemental Indenture dated as of August 29, 1991, (h) an Eighth Supplemental Indenture dated as of October 14, 1994, (i) a Ninth Supplemental Indenture dated as of September 1, 1998, (j) a Tenth Supplemental Indenture dated as of January 15, 2001 and (k) an Eleventh Supplemental Indenture dated as of April 20, 2001 (the Original Indenture and such supplemental indentures being sometimes collectively referred to as the “*Indenture*”) for the purpose of securing Bonds of the Company to be issued in series from time to time in the manner and subject to the conditions set forth in the indenture;

B. There are presently issued and outstanding under the Indenture the following Bonds in the following principal amounts and with the maturity dates indicated:

(i) \$6,000,000 aggregate principal amount of the Company Series I, 8.49% Bonds due October 14, 2024;

(ii) \$10,000,000 aggregate principal amount of the Company Series J, 6.96% Bonds due September 1, 2028; and

(iii) \$7,500,000 aggregate principal amount of the Company Series K, 8.00% Bonds due May 1, 2031;

C. Exeter & Hampton Electric Company (“*Exeter*”) has executed and delivered to U.S. Bank National Association, a national banking association (successor to Old Colony Trust Company), as Trustee, its Indenture of Mortgage and Deed of Trust dated as of December 1, 1952 (hereinafter sometimes referred to as the “*Original Exeter Indenture*”) and has executed and delivered to such Trustee, the following supplemental indentures thereto: (a) a First

Supplemental Indenture dated as of January 16, 1956, (b) a Second Supplemental Indenture dated as of January 15, 1960, (c) a Third Supplemental Indenture dated as of June 1, 1964, (d) a Fourth Supplemental Indenture dated as of January 15, 1968, (e) a Fifth Supplemental Indenture dated as of November 15, 1971, (f) a Sixth Supplemental Indenture dated as of April 1, 1974, (g) a Seventh Supplemental Indenture dated as of December 15, 1977, (h) an Eighth Supplemental Indenture dated as of October 28, 1987, (i) a Ninth Supplemental Indenture dated as of August 29, 1991, (j) a Tenth Supplemental Indenture dated as of October 14, 1994, (k) an Eleventh Supplemental Indenture dated as of September 1, 1998 and (l) a Twelfth Supplemental Indenture dated as of April 20, 2001 (the Original Exeter Indenture and such supplemental indentures being sometimes collectively referred to as the “*Exeter Indenture*”) for the purpose of securing Bonds of Exeter to be issued in series from time to time in the manner and subject to the conditions set forth in the indenture;

D. There are presently issued and outstanding under the Exeter Indenture the following Bonds (the “*Exeter Bonds*”) in the following principal amounts and with the maturity dates indicated:

(i) \$9,000,000 aggregate principal amount of the Exeter Series K, 8.49% Bonds due October 14, 2024;

(ii) \$10,000,000 aggregate principal amount of the Exeter Series L, 6.96% Bonds due September 1, 2028; and

(iii) \$7,500,000 aggregate principal amount of the Exeter Series M, 8.00% Bonds due May 1, 2031;

E. Prior to the Merger Date (as hereinafter defined), both the Company and Exeter were wholly-owned subsidiaries of Unitil Corporation, a registered holding company under the Public Utility Holding Company Act of 1935, as amended. On December 2, 2002 (the “*Merger Date*”), Unitil Corporation combined all of the operations of the Company and Exeter through the merger of Exeter into the Company (the “*Merger*”) pursuant to an Agreement and Plan of Merger dated as of November 26, 2002 between the Company and Exeter (the “*Merger Agreement*”). On the Merger Date the Company assumed all of the obligations of Exeter under the Exeter Indenture and the Exeter Bonds pursuant to a Consent and Agreement dated as of November 26, 2002 among Exeter, the Company and the holders of the Exeter Bonds and the Bonds outstanding under the Indenture;

F. On January 24, 2003 (the “*Closing Date*”), (i) each holder of an Exeter Bond will exchange such Exeter Bond for a bond issued by the Company under the Indenture containing substantially the same terms and provisions as such Exeter Bond (all such exchanges being collectively, the “*Exchange*”), (ii) the Exeter Indenture will be cancelled and discharged and (iii) the Exeter Bonds will be cancelled;

G. The Company, in the exercise of the power and authority conferred upon or reserved to it by the provisions of the Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee

this Twelfth Supplemental Indenture (hereinafter sometimes referred to as the “*Twelfth Supplemental Indenture*”) in order to amend and restate the Indenture in connection with the Merger which will be effective as of the Merger Date;

H. Exeter has obtained and filed with the Trustee the written consent of the holders of the Exeter Bonds to the Exchange and to the restatement of and other amendments to the Indenture which are hereinafter set forth;

I. The Company has also obtained and filed with the Trustee the written consent of the holders of all of the Bonds under the Indenture outstanding prior to the Merger to the restatement of and the other amendments to the Indenture which are hereinafter set forth;

J. The Company has determined that all conditions and requirements necessary to make this Twelfth Supplemental Indenture, in the form and terms hereof, a valid, binding and legal agreement in accordance with its terms and the purposes herein expressed, have been performed and fulfilled, and the execution and delivery hereof have been in all respects duly authorized;

NOW, THEREFORE, in consideration of the premises and of the sum of One Dollar (\$1.00) duly paid by the Trustee to the Company at or before the delivery of these presents, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Company hereby covenants and agrees with the Trustee, and its successors in the trust under the Indenture, for the equal benefit of all present and future bondholders as follows:

PART ONE RESTATEMENT OF INDENTURE

The first WHEREAS paragraph and all provisions of the Original Indenture which follow such paragraph including, without limitation, the Granting Clauses and Articles I through XVI of such Original Indenture, and all of the indentures supplemental thereto other than this Twelfth Supplemental Indenture, are hereby amended and restated in their entirety to read as follows, *provided* that this restatement shall not affect any specific terms or provisions of the Bonds outstanding contained in the Bonds themselves except as herein or hereinafter otherwise provided and the form of bond hereinafter issued under the Indenture shall only be in registered form and the form of such bond to be used hereinafter is set forth in Exhibit A hereto:

WHEREAS, the Company has duly authorized by law to issue, sell or otherwise dispose of its obligations for its lawful corporate purposes and to secure the payment of such obligations by a first mortgage and deed of trust of and upon its properties, rights, privileges and franchises now owned or hereafter acquired; and

WHEREAS the Company has deemed it necessary and advisable to borrow money from time to time to retire its obligations and for other proper corporate purposes, and to issue its Bonds therefor, and to mortgage and pledge its property hereinafter described to secure the payment of said Bonds, and to that end has authorized and directed the issue of its Bonds from time to time limited in aggregate principal amount as hereinafter provided, to be designated as its

First Mortgage Bonds, to be issuable in one or more series, to be fully registered Bonds without coupons, to bear such date or dates, to mature on such date or dates, to bear interest at such rates and to contain and enjoy or to be subject to such provisions as shall be determined by the Board of Directors of the Company prior to the issue thereof; and

WHEREAS all things necessary to make the said Bonds, when authenticated by the Trustee and issued as in this Indenture provided, valid, binding and legal obligations of the Company, and to constitute this Indenture a valid first mortgage and deed of trust to secure the payment of the principal of and interest on all Bonds issued hereunder, have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issue of said Bonds subject to the terms hereof have in all respects been duly authorized;

Now, THEREFORE, THIS INDENTURE WITNESSETH that, in consideration of the premises and of the sum of \$1 duly paid to the Company by the Trustee, and of other good and valuable consideration, receipt whereof upon the ensembling and delivery of this Indenture the Company hereby acknowledges, and in order to secure the equal pro rata payment (except as herein otherwise provided) of both the principal of and the 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;

THE COMPANY has given, granted, bargained, sold, warranted, pledged, assigned, transferred, mortgaged and conveyed, and by these presents does give, grant, bargain, sell, warrant, pledge, assign, transfer, mortgage and convey, unto the Trustee and its successors in the trusts 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 conveyed, mortgaged, transferred, and assigned, or at any time conveyed, mortgaged, pledged, transferred, assigned or delivered, and all proceeds of any of the foregoing at any time conveyed, mortgaged, transferred, assigned, paid or delivered to and from time to time held by the Trustee upon the trusts hereof, being herein generally called, collectively, the "*Mortgaged Property*" or "*Trust Estate*") and grants a security interest therein as permitted by applicable law;

All real estate and rights and interests in and to real estate, all plants, stations, structures, lines, facilities and other physical property used or useful in the business of generating, producing, transmitting, distributing, utilizing or purchasing electricity, including all machinery, equipment, tools and other tangible personal property used or useful in connection therewith, all dams, reservoirs, water, flowage and riparian rights and all franchises, licenses, permits, easements and rights of way used or useful in connection with said business, and all other property wherever located and of whatever nature, whether real, personal or mixed, in all cases not specifically reserved and excepted, and whether now owned or hereafter acquired by the Company, including, without limiting the generality of the foregoing, all property specifically described in Schedule A hereto;

Also any and all cash, stocks, shares, bonds, notes, 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 by a successor corporation, 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, stocks, shares, bonds, notes, securities and other property in accordance with the provisions hereof and/or of such writing;

TOGETHER WITH all the Company's now-existing or hereafter acquired right, title and interest in and to any and all physical property of the Company, now or hereafter subject to any prior mortgage, pledge, charge and/or other encumbrance or lien, and the cash and/or other proceeds therefrom, to the extent that such property, cash and/or proceeds shall not be otherwise held and/or applied pursuant to the requirements of any such mortgage, pledge, charge and/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 to the aforesaid property or any part thereof, with all reversion and reversions, remainder and remainders and, subject to the provisions of Article X hereof, all rents, revenues, income, issues 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, equipment, machinery and other physical assets and all 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;

SUBJECT, HOWEVER, in so far as affected thereby, to any Permitted Encumbrances as defined in Section 1.01, and, as to the property specifically described in Schedule A hereto, to the liens, encumbrances, reservations, restrictions, conditions, limitations, covenants, interests and exceptions, if any, set forth or referred to in the descriptions thereof contained in said Schedule A, none of which substantially interferes with the free use and enjoyment by the Company of the property and rights hereinbefore described for the general purposes and uses of the Company's electric business;

AND SUBJECT FURTHER, as to all hereafter-acquired property of any character hereinbefore described, in so far as affected thereby, to any mortgages, encumbrances or liens on such after-acquired property existing at the time of such acquisition or contemporaneously created, conforming to the provisions of Section 8.07 hereof;

BUT SPECIFICALLY RESERVING, EXCEPTING AND EXCLUDING from this Indenture, and from the grant, conveyance, mortgage, transfer and assignment herein contained (sometimes hereinafter called "*Excepted Property*"):

(a) all property, permits, licenses, franchises and rights, whether now owned or hereafter acquired by the Company, which are intended to be hereby granted, conveyed,

mortgaged, transferred and assigned (exclusive of property specifically described in Schedule A hereto), but which cannot be so granted, conveyed, mortgaged, transferred or assigned without the consent of other parties whose consent is not, after reasonable effort, secured, or without subjecting the Trustee to a liability not otherwise contemplated by the provisions of this Indenture, or which otherwise may not be hereby lawfully and/or effectively granted, conveyed, mortgaged, transferred and assigned by the Company;

(b) the last day of the term of each leasehold estate (oral or written, and/or any agreement therefor) now or hereafter enjoyed by the Company, and whether falling within a general or particular description of property herein;

(c) all the Company's present and future fuel, merchandise held for sale, cash on hand or in bank, books, choses in action, contracts, shares of stock, bonds and other securities, documents and accounts and bills receivable (except proceeds of the trust estate, and insurance and other moneys, and purchase money obligations, required by, the provisions hereof to be paid to or deposited with the Trustee), and materials, stores, supplies and other personal property which are consumable (otherwise than by ordinary wear and tear) in their use in the operation of the plants or systems of the Company; and

(d) all property of the Company which is not Public Utility Property and which has been duly released by the Trustee from the lien hereof pursuant to Section 10.04A and is still owned by the Company.

TO HAVE AND TO HOLD the Trust Estate, with all of the privileges and appurtenances thereunto belonging, unto the Trustee, its successors in the trusts hereof, and its and their assigns, to its and their own use, forever;

BUT IN TRUST NEVERTHELESS for the equal pro rata benefit, security and protection (except as provided in Section 8.14 of this Indenture and except insofar as a sinking, improvement or analogous fund or funds, established in accordance with the provisions of this Indenture, may afford particular security for Bonds of one or more series) of the registered owners of the Bonds from time to time authenticated, issued and outstanding hereunder, without (except as aforesaid) 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 the principal of and premium, if any, and interest on the Bonds at the times and in the manner therein and herein provided, and shall keep, perform and observe all and singular the covenants, agreements and provisions in the Bonds and in this Indenture expressed to be kept, performed and observed by or on the part of the Company, then this Indenture and the estate and rights hereby granted shall, pursuant to the provisions of Article XIII hereof, 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 the foregoing clauses (a), (b) and (c) in the fourth preceding paragraph 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.

THIS INDENTURE FURTHER WITNESSETH and it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said mortgaged property and trust estate is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed and the Company has agreed and covenanted and does hereby agree and covenant with the Trustee and with the respective holders, from time to time, of the said Bonds or any part thereof as follows, that is to say:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. As hereinafter used in this Indenture each of the following terms shall be construed to have the meaning hereinafter specified respectively, unless otherwise clearly indicated by the context.

“Acceptable Bank” means any bank or trust company (including the Trustee and its affiliates) (i) which is organized under the laws of the United States of America or any State thereof, (ii) which has capital, surplus and undivided profits aggregating at least \$100,000,000, and (iii) whose long-term unsecured debt obligations (or the long-term unsecured debt obligations of the bank holding company owning all of the capital stock of such bank or trust company) shall have been given a rating of “A” or better by S&P, “A2” or better by Moody’s or an equivalent rating by any other credit rating agency of recognized national standing.

“Affiliate” means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, *“Control”* means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an *“Affiliate”* is a reference to an Affiliate of the Company.

“Annual Interest Requirements” has the meaning set forth in Section 4.02(C).

“Available Bonds” means Bonds issued under and secured by the lien of this Indenture, which have been purchased or redeemed by the Company but have not been either (a) redeemed by the use of any money deposited with the Trustee for the purposes of any sinking or

improvement fund; (b) redeemed with moneys deposited with the Trustee pursuant to Section 8.10, 8.12, 10.03, 10.04 or 10.04A and applied to such redemption pursuant to Section 11.02 or 11.03; or (c) theretofore used as the basis for the issue of Bonds under Article V, or delivered to the Trustee in lieu of payments for any sinking or improvement fund or credited under any other requirement hereof.

Bonds for the redemption of which moneys shall have been or are concurrently being deposited with the Trustee shall be deemed to have been redeemed within the meaning of this definition, *provided* that notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made therefor, or such notice shall have been waived.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of said board.

“Board Resolution” means a copy of a resolution certified by the Secretary or Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect, and delivered to the Trustee.

“Bond” or *“Bonds”* means any bond or bonds that have been or may be issued under this Indenture.

“Bonded” has the meaning set forth in Section 4.01(G).

“Business Day” means any day other than a Saturday, a Sunday or a day on which commercial banks in Boston, New York or New Hampshire are required or authorized to be closed.

“Certificate of Net Bondable Expenditures” has the meaning set forth in Section 4.01(I).

“Closing Date” has the meaning set forth in paragraph F of the Recitals.

“Company” means Concord Electric Company (prior to the Merger Date) and Unitil Energy Systems, Inc. (successor to Concord Electric Company on and after the Merger Date), and, subject to the provisions of Article XII hereof, its successors and assigns.

“Company Post-Merger Bondable Expenditures” has the meaning set forth in Section 4.01(H).

“Company Post-Merger Bonded Expenditures” has the meaning set forth in Section 4.01(G).

“Company Post-Merger Gross Expenditures for Property Additions” has the meaning set forth in Section 4.01(C).

“Company Post-Merger Net Expenditures” has the meaning set forth in Section 4.01(F).

“Company Post-Merger Net Retirements” has the meaning set forth in Section 4.01(E).

“Company Post-Merger Property Additions” has the meaning set forth in Section 4.01(A).

“Company Pre-Merger Bondable Expenditures” has the meaning set forth in Section 4.01(H).

“Company Pre-Merger Bonded Expenditures” has the meaning set forth in Section 4.01(FG).

“Company Pre-Merger Gross Expenditures for Property Additions” has the meaning set forth in Section 4.01(C).

“Company Pre-Merger Net Expenditures” has the meaning set forth in Section 4.01(F).

“Company Pre-Merger Net Retirements” has the meaning set forth in Section 4.01(E).

“Company Pre-Merger Property Additions” has the meaning set forth in Section 4.01(A).

“Default” means any event, which would with the lapse of time or the giving of notice, or both, become an Event of Default.

“Earnings Available for Interest Charges” has the meaning set forth in Section 4.02(B).

“Earnings Available for Interest Charges Certificate” has the meaning set forth in Section 4.02(C).

“Engineer” means an individual, co-partnership or corporation engaged in an engineering business or employed by the Company to pass upon engineering questions.

“Engineer’s Certificate” means a certificate signed and verified by an engineer (who, except during the continuance of a Default and except as otherwise provided herein, may be an employee of the Company) appointed by the Board of Directors of the Company.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“Event of Default” has the meaning set forth in Section 14.01.

“Excepted Property” has the meaning stated in the third paragraph following the Granting Clauses.

“Exchange” has the meaning set forth in paragraph E of the Recitals.

“Exchange Bonds” has the meaning set forth in Article III.

“Exeter” means Exeter & Hampton Electric Company.

“Exeter Bonds” has the meaning set forth in paragraph D of the Recitals.

“Exeter Indenture” has the meaning set forth in paragraph C of the Recitals.

“Exeter Pre-Merger Bondable Expenditures” has the meaning set forth in Section 4.01(H).

“Exeter Pre-Merger Bonded Expenditures” has the meaning set forth in Section 4.01(G).

“Exeter Pre-Merger Gross Expenditures for Property Additions” has the meaning set forth in Section 4.01(C).

“Exeter Pre-Merger Net Expenditures” has the meaning set forth in Section 4.01(F).

“Exeter Pre-Merger Net Retirements” has the meaning set forth in Section 4.01(E).

“Exeter Pre-Merger Property Additions” has the meaning set forth in Section 4.01(A).

“Fixed Property” has the meaning set forth in Section 4.01(A).

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States of America.

“Gross Expenditures” has the meaning set forth in Section 4.01(C).

“Gross Expenditures for Property Additions” has the meaning set forth in Section 4.01(C).

“Gross Operating Revenues” has the meaning set forth in Section 4.02(A).

“Indenture” means this instrument, together with any and all indentures which may hereafter be made supplemental hereto.

“Independent Engineer” means any Engineer who has no specific interest, direct or indirect, in the Company and, in the case of an individual, is not a director, officer or employee of the Company and, in the case of a co-partnership or organization, does not have a partner, director, official or employee who is a director, official or employee of the Company.

“Independent Engineer’s Certificate” means a certificate signed and verified by an Independent Engineer.

“Institutional Holder” means any insurance company, bank, savings and loan association, trust company, investment company, charitable foundation, employee benefit plan (as defined in ERISA) or other institutional investor or financial institution.

“Investment” means any investment or acquisition, made in cash or by delivery of property by the Company or any of its Subsidiaries (i) in any Person, whether by acquisition of stock, indebtedness or other obligation or security, or by loan, guaranty, advance, capital contribution or otherwise, or (ii) in any property.

“Make Whole Amount” has the meaning set forth in Section 14.02.

“Material” means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

“Merger” has the meaning set forth in paragraph E of the Recitals.

“Merger Agreement” has the meaning set forth in paragraph E of the Recitals.

“Merger Date” has the meaning set forth in paragraph E of the Recitals.

“Merger Date Series” has the meaning set forth in Article III.

“Moody’s” means Moody’s Investors Service, Inc.

“Mortgaged Property” or *“Trust Estate”* means the assets of the Company now or hereafter subject or subjected to the lien of this Indenture.

“Net Bondable Expenditures” has the meaning set forth in Section 4.01(H).

“Net Bondable Expenditures for Property Additions” has the meaning set forth in Section 4.01(H).

“Net Expenditures” has the meaning set forth in Section 4.01(F).

“Net Expenditures for Property Additions” has the meaning set forth in Section 4.01(F).

“Net Income” has the meaning set forth in Section 8.15.

“Net Retirements” has the meaning set forth in Section 4.01(E).

“New Gross Expenditures” has the meaning set forth in Section 4.01(I).

“New Property Additions” has the meaning set forth in Section 4.01(I).

“Officers’ Certificate” means a certificate signed by the President or a Vice-President and the Treasurer or an Assistant Treasurer of the Company. Each Officers’ Certificate shall, if required by Section 16.07, contain the statements provided for in said Section.

“Opinion of Counsel” means an opinion in writing signed by legal counsel satisfactory to the Trustee, who, except during the continuance of a Default, may be of counsel to the Company. Each Opinion of Counsel shall, if required by Section 16.07, contain the statements provided for in said Section.

“Order of the Company” means a written instrument signed and verified by the President or a Vice-President and either by the Secretary or the Clerk or the Treasurer or an Assistant Treasurer of the Company requesting or directing the particular action in question to be taken.

“Outstanding” shall mean, when used with reference to Bonds or to Bonds of a specified series, all Bonds which have been authenticated and delivered under this Indenture or all Bonds of the series specified which have been so authenticated and delivered except:

- (a) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation;

- (b) Bonds for the payment or redemption of which moneys shall have theretofore been irrevocably deposited with the Trustee (whether upon or prior to the maturity or redemption date of said Bonds), *provided* that if such Bonds are to be redeemed or paid prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made therefor or such notice shall have been waived; and

- (c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to Section 2.11;

and, whenever such term is used with reference to any action or nonaction which may be requested or taken by or to which objection may be made by the owners or holders of a specified percentage or proportion of Bonds outstanding hereunder, or of Bonds of a specified series outstanding hereunder, Bonds directly or indirectly owned or held by or for the account of, or for the benefit or interest of, the Company or any other obligor upon the Bonds or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding.

“Permitted Encumbrances” means as of any particular time any of the following:

- (a) liens for taxes, assessments or governmental charges not then delinquent or the validity of which the Company is contesting in good faith (unless thereby in the opinion of counsel any of the trust estate will be in danger of being lost or forfeited), liens for workmen’s compensation awards and similar obligations not then delinquent and liens for judgments, payment of which in the opinion of counsel has been adequately secured;

(b) any obligations or duties, affecting the property of the Company, to any municipality or public authority with respect to any franchise, grant, license or permit, *provided, however*, that such franchise, grant, license or permit does not give such municipality or public authority any right to purchase property at less than its fair value;

(c) the license from the Federal Power Commission issued under the provisions of the Federal Power Act of 1935, so-called, and any modification or renewal of such license, under the terms of which the United States of America has the right to acquire the Company's Sewalls Falls hydro-electric plant and certain associated transmission lines by purchase at the expiration of such license for a sum equal to the net investment of the Company in the plant;

(d) building or building line restrictions or agreements, easements, exceptions or reservations in any property of the Company for the purpose of roads, streets, pipe lines, sewer lines or mains, water lines, ditches, railroad rights-of-way, telephone, telegraph or electric transmission lines and other like purposes and which, as shown by an Engineer's Certificate, do not impair the use of such property for the purposes for which it is held by the Company;

(e) liens for laborers' and materialmen's services and materials, but only so long as payment for such labor or material is not yet owing under the terms of employment or the purchase of materials;

(f) liens, neither assumed by the Company nor on which it customarily pays interest charges, existing upon real estate or rights in or relating to real estate acquired by the Company for substation, transmission line or right of way purposes;

(g) liens, encumbrances, reservations, restrictions, conditions, limitations, covenants, interests and exceptions, if any, set forth or referred to in Schedule A attached hereto on property now owned by the Company; and

(h) any mortgage, loan or encumbrance securing indebtedness or obligations permitted under Section 8.07 or Section 12.02.

"*Person*" shall mean an individual, partnership, corporation, limited liability company, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"*Prime Rate*" has the meaning set forth in Section 15.13.

"*Property Additions*" has the meaning set forth in Section 4.01(A).

"*Public Utility Property*" has the meaning set forth in Section 10.04(A).

"*Purchased Property*" has the meaning set forth in Section 4.01(B).

“Resolution” means a copy of a resolution certified by the Secretary, the Clerk or any Assistant Secretary of the Company under the corporate seal of the Company to have been duly adopted by the Board of Directors and to remain in full force and effect without alteration or with only such alterations as are specified in such certificate.

“Responsible Officer”, when used with respect to the Trustee, shall mean (i) if U.S. Bank National Association is acting as Trustee, any Vice President or any officer in the Corporate Trust Services Department who is responsible for the administration of the trust under the Indenture, or (ii) when any successor is acting as Trustee, any Vice President or any officer in the department of such successor who is responsible for the administration of the trust under the Indenture.

“Restated Indenture” means this Twelfth Supplemental Indenture which amends and restates the Indenture.

“Retirements” has the meaning set forth in Section 4.01(D).

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc.

“Series I, 8.49% Bonds” has the meaning set forth in Article III.

“Series J, 6.96% Bonds” has the meaning set forth in Article III.

“Series K, 8.00% Bonds” has the meaning set forth in Article III.

“Series L, 8.49% Bonds” has the meaning set forth in Article III.

“Series M, 6.96% Bonds” has the meaning set forth in Article III.

“Series N, 8.00% Bonds” has the meaning set forth in Article III.

“Stockholders Resolution” means a copy of a resolution certified by the Clerk or the Secretary or any Assistant Secretary of the Company under the corporate seal of the Company to have been duly adopted by the stockholders of the Company entitled to vote upon the subject of such resolution and to remain in full force and effect without alteration or with only such alterations as are specified in such certificate.

“Subsidiary” shall mean any corporation which has more than fifty percent (50%) of its outstanding Voting Stock owned at the time of reference, directly or indirectly, by the Company, or by one or more Subsidiaries, or by the Company and one or more Subsidiaries.

“Trustee” means U.S. Bank National Association and, subject to the provisions of Article XV hereof, its successors as trustee in the trust hereby created.

“*Trust Estate*” or “*Mortgaged Property*” means the assets of the Company now or hereafter subject or subjected to the lien of this Indenture.

“*Trust Moneys*” has the meaning set forth in Section 11.01.

“*Underlying Mortgage*” means a mortgage lien or other lien or charge (exclusive of permitted encumbrances) prior to the lien of this Indenture upon any property, plant or equipment acquired by the Company after the execution and delivery of this instrument.

“*United States Governmental Security*” means any direct obligation of, or obligation guaranteed by, the United States of America, or any agency controlled or supervised by or acting as an instrumentality of the United States of America pursuant to authority granted by the Congress of the United States of America, so long as such obligation or guarantee shall have the benefit of the full faith and credit of the United States of America which shall have been pledged pursuant to authority granted by the Congress of the United States of America.

“*Voting Stock*” shall mean stock of any class or classes having ordinary voting power for the election of a majority of the directors of such corporation, other than stock having such power only by reason of the happening of a contingency.

ARTICLE II

GENERAL PROVISIONS AS TO THE BONDS

Section 2.01. General Limitations. This Indenture creates a continuing lien to secure the payment of the principal of and interest on all Bonds which may, from time to time, be issued, authenticated and delivered hereunder. All Bonds issued under and in pursuance of this Indenture and at any time Outstanding, shall be in all respects, subject to the provisions and qualifications in this Indenture contained, and except as any sinking or other fund established in accordance with the provisions of this Indenture may afford additional security for the Bonds of any particular series, equally and ratably secured hereby without preference, priority or distinction, on account of the actual time or times of the issue of said Bonds, or any of them, so that all Bonds at any time Outstanding shall have the same rights, lien and preferences under and by virtue of this Indenture, and shall all be equally secured hereby, subject to the provisions and qualifications in this Indenture contained, and except as any sinking or improvement or other fund established in accordance with the provisions of this Indenture may afford additional security for the Bonds of any particular series, with like effect as if they had all been authenticated and delivered simultaneously on the date hereof, whether the same, or any of them, shall actually be authenticated or delivered, or sold or disposed of at some future date.

Section 2.02. General Designation. The Bonds issued under and secured by this Indenture shall be issuable in series and shall be designated by suitable descriptive words which shall always include the words “First Mortgage,” with appropriate insertions and changes and designations in such title descriptive of the respective series of Bonds, as may be determined by the Board of Directors and set forth in the indenture supplemental hereto creating such series (or, with respect to the Exchange Bonds, as set forth in the appropriate Exhibit hereto setting forth

the terms and provisions of such Exchange Bonds). The text of the Bonds and of the certificate of the Trustee shall be substantially of the tenor and purport of the Bonds set forth in Exhibit A attached hereto and made a part hereof, with appropriate insertions, omissions, substitutions and variations, in case of Bonds of different denominations and different series, prescribed by the indenture supplemental hereto by which such Bonds shall be created as provided in Section 2.05, and in all other respects not inconsistent with the terms of this Indenture. The Board of Directors may, at the time of the creation of any series, or at any time thereafter, limit the maximum principal amount of Bonds of such series which may be issued and an appropriate insertion in respect of such limitation may, but need not, be made in the Bonds of such series.

Section 2.03. Series of Bonds. All Bonds of the same series shall be identical in tenor and effect, except as hereinafter in this Section provided, and except that the same may be of different denominations, shall consist of registered Bonds without coupons, and may contain such variations in tenor and effect as are incidental to such differences. Each Bond of each series shall be dated as of the last interest payment date to which interest was paid upon Bonds of such series, unless issued on an interest payment date to which interest was paid upon Bonds of such series, in which event it shall be dated as of the date of issue, or if the date of issue shall be a date prior to the first interest payment date for the Bonds of such series, then unless the supplemental indenture pursuant to which the Bonds of such Series are being created and issued provides otherwise, such Bonds shall bear interest from, and shall be dated as of, the date of initial issuance of such Bonds. Each such Bond shall bear interest from the date thereof.

Section 2.04. Form and Denomination. The form and text of the Bonds of each series shall be established by the provisions of the supplemental indenture creating such series. The Bonds of each series shall be of such denomination or denominations, interchangeable as between denominations or not so interchangeable, as shall be determined by the Board of Directors at the time such series is created. The Bonds of each series shall be payable on such date or dates as may be fixed by the Board of Directors at the time the series is created. Every order of the Company calling for the authentication and delivery of Bonds shall specify the denomination and series, permitted by the terms of this Indenture, in which the Bonds shall be issued and authenticated.

All Bonds shall be payable as to principal, interest and premium, if any, in lawful money of the United States of America.

Section 2.05. Supplemental Indenture Creating New Series. The Bonds of each series (other than the Exchange Bonds) shall be created by an indenture supplemental hereto, authorized by a Resolution and delivered to the Trustee. Such supplemental indenture shall include such lawful provisions consistent with the terms of this Indenture as the Board of Directors shall prescribe:

- (1) With respect to the payment of the principal of and interest on the Bonds of such series without deduction for and/or with respect to reimbursement of specified taxes, assessments or other governmental charges;

(2) With respect to the right of the Company to redeem Bonds of such series, the redemption price or prices at which they may be redeemed and the time or times, the class or classes, and the manner of their redemption;

(3) With respect to sinking or improvement funds; and

(4) With respect to serial maturities, exchangeability, convertibility or other special terms and conditions, including the issuance of Bonds which are to be issued in exchange for other securities.

Section 2.06. Request for Authentication and Delivery of Bonds. Whenever requesting the authentication and delivery of any Bonds issuable under Articles IV, V or VI, the Company shall furnish the Trustee, in addition to any other instruments elsewhere in this Indenture required, the following:

(1) A Resolution requesting the Trustee to authenticate and deliver the Bonds, specifying the series, maturities (if Bonds of such series are of serial maturities), and principal amount of Bonds called for, and designating the officer or officers of the Company to whom or upon whose order they shall be delivered;

(2) In case the Bonds to be authenticated and delivered are of a series not theretofore created, an indenture supplemental hereto authorized by a Resolution as prescribed by Section 2.05 (all Bonds of such series which may be executed, authenticated and delivered hereunder shall conform to the terms expressed in such supplemental indenture); and

(3) An Opinion of Counsel that all instruments furnished the Trustee conform to the requirements of this Indenture, constitute sufficient authority under this Indenture for it to authenticate and deliver the Bonds applied for, that said Bonds when issued and delivered will be valid and duly secured by the lien of this Indenture, and that all laws and requirements in respect of the authentication and delivery thereof by the Trustee have been complied with.

Section 2.07. Execution, Authentication, Delivery. All Bonds issued hereunder and secured hereby from time to time shall be executed on behalf of the Company by its President or a Vice-President, and its corporate seal shall be thereunto affixed and attested by its Treasurer or an Assistant Treasurer. The Bonds shall then be delivered to the Trustee for authentication by it, and thereupon, upon compliance with the requirements of and as provided in this Indenture and not otherwise, the Trustee shall authenticate and deliver the same.

In case any officer who shall have signed, sealed or attested any of said Bonds shall cease to be an officer of the Company before the Bonds so signed, sealed or attested shall have been authenticated or delivered by the Trustee, or issued, such Bonds may nevertheless be issued, authenticated and/or delivered as though such person who signed, sealed or attested such Bonds had not ceased to be an officer of the Company and also any Bond may be signed, sealed or attested on behalf of the Company by such person as at the actual date of the execution of such

Bond shall be the proper officer of the Company, although at the date of such bond such person was not an officer of the Company.

Only such of the Bonds (whether temporary or definitive) as shall have been authenticated by the Trustee, by signing the certificate endorsed thereon, shall be secured by this Indenture, or shall be entitled to any lien or benefit hereunder, and such certificate of the Trustee shall be conclusive evidence and the only evidence that the Bonds so authenticated have been duly issued hereunder, and are entitled to the benefit of the trusts hereby created.

Section 2.08. Registration of Holders. The Company shall keep books at the principal office of the Trustee for the registration and transfer of Bonds. Such books shall, in addition to the name of the holder of each registered Bond, show the address of each such holder.

Such registrations and discharges from registration shall be made under such reasonable regulations as the Company may prescribe and for which the Company may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect thereto and the charges of the Trustee, all such charges to be paid by the party requesting such registration or discharge from registration as a condition precedent to the exercise of such privilege.

No transfer of Bonds shall be valid unless made on said books by the registered holder in person, or by his duly authorized attorney, and similarly noted on the Bond. Upon presentation to the Trustee of any Bond accompanied by written instrument of transfer, in a form approved by the Trustee, executed by the registered owner thereof or by his duly authorized attorney, and upon the surrender and cancellation of such Bond, a new Bond or Bonds of the same series and maturity date and for the same aggregate principal amount will be issued to the transferee in exchange therefor.

Unless otherwise provided in the supplemental indenture creating the particular series of Bonds, upon any transfer of Bonds permitted hereunder, the Company will make no service charge against the holder of such Bonds or his transferee for any transfer, but the Company, at its option, may require the payment of a sum sufficient to reimburse it for any tax or governmental charge that may be imposed thereon. All Bonds surrendered in connection with any such transfer shall be forthwith canceled by the Trustee, and upon demand the Trustee shall deliver the same to the Treasurer of the Company or upon his written order.

The Company shall not be required to make any transfer or transfers of any Bond or Bonds during the 15 days next preceding any date on which interest or principal is required to be paid thereon or with respect thereto nor may any transfer be required with respect to any Bonds that have been called for redemption.

Section 2.09. Persons Deemed Owners. The Company and the Trustee shall treat the person in whose name any Bond shall be registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal of such Bond and for all other purposes, and neither the Company nor the Trustee shall be affected by any notice to the contrary.

Section 2.10. Mutilated, Destroyed, Lost and Stolen Bonds. Upon receipt by the Company and the Trustee of evidence satisfactory to them of the loss, theft, destruction or mutilation of any Bond (which evidence shall be, in the case of a holder which is an Institutional Holder, written notice thereof from such Institutional Holder), and of indemnity satisfactory to them (provided that in the case of a holder which is an Institutional Holder, the unsecured agreement of indemnity from such Institutional Holder shall be deemed to be satisfactory) and upon surrender and cancellation of such Bond, if any, if mutilated, the Company may execute, and the Trustee may authenticate and deliver, a new Bond of the same series and of like tenor, to be issued in lieu of such lost, stolen, destroyed or mutilated Bond. Such new Bond may bear such endorsement as may be agreed upon by the Company and the Trustee. The Company may require the payment of a sum sufficient to reimburse it for all expenses in connection with the issue of each new Bond under this Section. Any new Bond issued under the provisions of this Section in lieu of any Bond lost, stolen, destroyed or mutilated shall constitute an original, additional, contractual obligation of the Company and shall be secured equally and ratably with all other Bonds Outstanding.

Neither the Company nor the Trustee shall be under any duty or liability to issue a new Bond in substitution for or in lieu of any Bond lost, stolen, destroyed or mutilated except under the provisions of this Section.

Section 2.11. Temporary Bonds. Until definitive Bonds of any series are ready for delivery, the Company may execute and the Trustee shall authenticate and deliver, in lieu of such definitive Bonds, temporary typewritten or printed Bonds, in registered form, substantially of the tenor of the bond hereinbefore described, with appropriate omissions, variations and insertions and with or without appropriate provisions with respect to registration of the principal of such Bonds. Such temporary Bonds may be in such denominations as the Company may determine. Until exchanged for definitive Bonds, such temporary Bonds shall be entitled to the lien and benefit of this Indenture. Upon such exchange, which shall be made at the principal office of the Trustee by the Company, at its own expense and without making any charge therefor, such temporary bond, shall be cancelled, and if the Company so directs, incinerated by the Trustee, and upon the exchange of all said Bonds, said Bonds so cancelled or a certificate of such incineration shall be delivered to the Company. Until such definitive Bonds are ready for delivery, the holder of one or more temporary Bonds may, with the consent of the Company, exchange the same on the surrender thereof to the Trustee for cancellation, and shall be entitled to receive a temporary bond or temporary Bonds of like aggregate principal amount of the same series and maturity in other authorized denominations indicated by such holder.

ARTICLE III

BONDS OF THE MERGER DATE SERIES AND EXCHANGE BONDS

The Bonds of each Merger Date Series shall have the terms, rates and other provisions specified in Part Two hereof. The text of the Bonds of each Merger Date Series and of the authentication certificate of the Trustee shall be, respectively, substantially of the tenor and effect recited in the form of bond contained in the supplemental indenture pursuant to which such Series was issued and shall remain the same except as otherwise herein or hereinafter

provided. As used herein, a “*Merger Date Series*” of Bonds shall mean the Company’s First Mortgage Bonds described in clauses (i), (ii) and (iii) hereof issued under the Indenture prior to the Merger Date, each of which has the following principal amount of Bonds Outstanding on the Merger Date and “*Exchange Bonds*” shall mean the Company’s First Mortgage Bonds described in clauses (iv), (v) and (vi) hereof delivered after but effective as of the Merger Date in exchange for the Exeter Bonds indicated:

(i) \$6,000,000 aggregate principal amount of the Company Series I, 8.49% Bonds due October 14, 2024 (the “*Series I, 8.49% Bonds*”);

(ii) \$10,000,000 aggregate principal amount of the Company Series J, 6.96% Bonds due September 1, 2028 (the “*Series J, 6.96% Bonds*”);

(iii) \$7,500,000 aggregate principal amount of the Company Series K, 8.00% Bonds due May 1, 2031 (the “*Series K, 8.00% Bonds*”);

(iv) \$9,000,000 aggregate principal amount of the Company Series L, 8.49% Bonds due October 14, 2024 (the “*Series L, 8.49% Bonds*”), in the form and containing the terms and conditions set forth in Exhibit F attached hereto, issued as of the Merger Date in exchange for the Exeter Series K, 8.49% Bonds due October 14, 2024;

(v) \$10,000,000 aggregate principal amount of the Company Series M, 6.96% Bonds due September 1, 2028 (the “*Series M, 6.96% Bonds*”), in the form and containing the terms and conditions set forth in Exhibit G attached hereto, issued as of the Merger Date in exchange for the Exeter Series L, 6.96% Bonds due September 1, 2028; and

(vi) \$7,500,000 aggregate principal amount of the Company Series N, 8.00% Bonds due May 1, 2031 (the “*Series N, 8.00% Bonds*”), in the form and containing the terms and conditions set forth in Exhibit H attached hereto, issued as of the Merger Date in exchange for the Exeter Series M, 8.00% Bonds due May 1, 2031.

The principal of and the premium, if any, and the interest on the Bonds issued prior to or as of the Merger Date shall be payable at the office and place of business of the Trustee in Boston in the Commonwealth of Massachusetts (or, if there be a successor to said Trustee, at its office designated by such successor), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

Each series of Exchange Bonds shall be dated as of the last interest payment date to which interest was paid on the series of Exeter Bonds being exchanged therefore. No Net Bondable Expenditures shall be required to be used for such issuance but otherwise the Company shall comply with the provisions of Article IV with respect to the issuance of the Exchange Bonds, except that (i) the requirement of an indenture supplemental hereto set forth in Section 4.05(4)(iii) shall not be applicable to the issuance of the Exchange Bonds and (ii) any

certificates or statements required pursuant to Section 4.05(4)(i) to be made by an Independent Engineer for the issuance of Exchange Bonds may be made by an Engineer who is not an Independent Engineer. Exchange Bonds shall be redeemable at the price and on the conditions set forth in Part Three hereof, any such redemption to be effected in accordance with the provisions of Article XIV of the Indenture.

The Bonds of each Merger Date Series shall be redeemable at the price and on the conditions set forth in Part Two hereof, any such redemption to be effected in accordance with the provisions of Article VII of this Indenture.

ARTICLE IV

BONDS AGAINST PROPERTY ADDITIONS

Section 4.01. Definitions for Issuing Bonds Against Property Additions. For the purposes of this Indenture each of the following terms shall be construed to have the meaning hereinafter specified respectively:

(A) *Fixed Property, Property Additions.* The term “*Fixed Property*” shall mean the sum of all of the physical property, plant and equipment, real, personal and mixed wherever located which is of such a nature as under sound accounting practice to be properly chargeable to fixed capital account and is in fact so charged, and which is used or is to be used as a part of its permanent and fixed investment in its business as an electric public utility company. Such term shall not, however, include (a) any property of the nature of that expressly excluded from the lien of this Indenture by the Granting Clauses hereof; (b) the cost of any paving or other public improvement assessed against the Exeter or the Company (as the case may be) by, or paid by Exeter or the Company (as the case may be) to, any taxing authority; or (c) any good will or going concern value or value attributable to any franchise or governmental permit except to the extent reflected in the fair value of Purchased Property as evidenced by an Independent Engineer’s Certificate;

The term “*Property Additions*” shall mean the sum of the following (without duplication): (i) Fixed Property of Exeter located within the State of New Hampshire which Exeter was authorized to use and operate in its business as a public utility company and which was used or useful in such business and was constructed or acquired (by purchase consolidation, merger or in any other way) during the period after June 30, 1952 and to, but not including the Merger Date (the “*Exeter Pre-Merger Property Additions*”), (ii) Fixed Property of the Company located within the State of New Hampshire which the Company was authorized to use and operate in its business as an electric public utility company and which was used or useful in such business and was constructed or acquired (by purchase, consolidation, merger or in any other way) during the period after May 31, 1958 to, but not including the Merger Date (the “*Company Pre-Merger Property Additions*”), and (iii) Fixed Property of the Company located within the State of New Hampshire which the Company is authorized to use and operate in its business as an electric public utility company and which is used or useful in such

business and constructed or acquired (by purchase, consolidation, merger or in any other way) during the period beginning on and including the Merger Date through the date of calculation but excluding Exeter Pre-Merger Property Additions (the “*Company Post-Merger Property Additions*”).

When calculating “*Property Additions*” in the above paragraph, such term shall not, however, include (1) any leasehold interest in property or, unless the same shall be movable physical property and shall constitute personal property in an Opinion of counsel, any permanent improvements constructed on property held under lease (but shall include rights of way and easements, any electric distribution, transmission or service lines and equipment and appurtenances thereto located on and such right of way or easement or on any property of customers or on any leased property or located upon any street, alley or public place of any municipality or upon any public highway), or (2) any property subject to any lien or other encumbrance except permitted encumbrances and the lien hereof. Nothing herein contained, however, shall prevent property meeting the definition of Property Additions as herein in this Section set forth in all respects except that at the time of its construction or acquisition it was subject to such a lien or other encumbrance, from constituting “Property Additions” upon the removal of such lien or other encumbrance.

Property Additions need not consist of a specific or complete accession, addition or improvement or complete new property but may include construction work in progress, if carried in plant accounts in accordance with sound accounting practice, whether capable of complete description and identification or not.

(B) *Purchased Property*. The term “*Purchased Property*” shall mean any Property Additions devoted to public service at or within a year before the time of their acquisition by Exeter or the Company (as the case may be);

(C) *Gross Expenditures for Property Additions, Gross Expenditures*. The term “*Gross Expenditures*” shall mean the lesser of:

(1) the fair value of the Property Additions acquired therefor as of the date of and as evidenced by an Engineer’s Certificate or, if such Property Additions include Purchased Property, as of the date of and as evidenced by an Independent Engineer’s Certificate, and

(2) the aggregate of (i) the market value or, in the absence thereof, the fair value of any securities or other property of Exeter or the Company (as the case may be) exchanged for Property Additions as of the date of and as evidenced by an Independent Engineer’s Certificate and (ii) any cash payments made or monetary obligations (not represented by securities) incurred for Property Additions.

The term “*Gross Expenditures for Property Additions*” shall mean the sum of the following (without duplication): (i) Gross Expenditures for Exeter for the Exeter

Pre-Merger Property Additions (the “*Exeter Pre-Merger Gross Expenditures for Property Additions*”), (ii) Gross Expenditures for the Company for the Company Pre-Merger Property Additions (the “*Company Pre-Merger Gross Expenditures for Property Additions*”), and (iii) Gross Expenditures for the Company for the Company Post-Merger Property Additions (the “*Company Post-Merger Gross Expenditures for Property Additions*”);

(D) *Retirements*. The removal, replacement, abandonment, permanent withdrawal from use, destruction, loss from any cause, sale, taking under power of eminent domain or other disposition of Fixed Property of Exeter or the Company (as the case may be) shall constitute a Retirement of such property.

As applied to any period, the term “*Retirements*” shall mean the aggregate cost of all Fixed Property retired by Exeter or the Company during such period (as the case may be). For the purposes of this definition the cost of Fixed Property shall mean, in the case of Property Additions, the Gross Expenditures made therefor at the time they became Property Additions and, in the case of Fixed Property not constituting Property Additions, its gross book value as recorded on Exeter’s or the Company’s (as the case may be) books. No reduction in book values of property recorded in Exeter’s or the Company’s (as the case may be) plant accounts nor the transfer of any amount appearing in any such account to intangible or adjustment accounts, arising out of adjustments required to be made by any regulatory body or otherwise, nor the elimination of any account so transferred, otherwise than in connection with the actual retirement of Fixed Property, shall be taken into account in determining Retirements;

(E) *Net Retirements*. The term “*Net Retirements*” shall mean the sum of the following (without duplication): (i) the aggregate amount of all Retirements made by Exeter under the Exeter Indenture during the period from June 30, 1952 to, but not including, the Merger Date in excess of the aggregate amount of all moneys received by or deposited with the Trustee under the Exeter Indenture during such period pursuant to the provisions of Sections 8.10, 8.12, 11.03, 11.04 and 11.04A thereof (the “*Exeter Pre-Merger Net Retirements*”), (ii) the aggregate amount of all Retirements made by the Company during the period from May 31, 1958 to, but not including, the Merger Date in excess of the aggregate amount of all moneys received by or deposited with the Trustee during such period pursuant to the provisions of Sections 8.10, 8.12, 10.03, 10.04 and 10.04A hereof (the “*Company Pre-Merger Net Retirements*”) and (iii) the aggregate amount of all Retirements made by the Company during the period beginning on and including the Merger Date through the date of calculation in excess of the aggregate amount of all moneys received by or deposited with the Trustee during such period pursuant to the provisions of Sections 8.10, 8.12, 10.03, 10.04 and 10.04A hereof (the “*Company Post-Merger Net Retirements*”);

(F) *Net Expenditures for Property Additions, Net Expenditures*. The term “*Net Expenditures for Property Additions*”, herein sometimes referred to as “*Net Expenditures*” shall mean the sum of the following (without duplication): (i) the aggregate amount of Exeter Pre-Merger Gross Expenditures for Property Additions,

minus Exeter Pre-Merger Net Retirements (*“Exeter Pre-Merger Net Expenditures”*), (ii) the aggregate amount of Company Pre-Merger Gross Expenditures, minus Company Pre-Merger Net Retirements (*“Company Pre-Merger Net Expenditures”*) and (iii) the aggregate amount of Company Post-Merger Gross Expenditures for Property Additions, minus Company Post-Merger Net Retirements (*“Company Post-Merger Net Expenditures”*);

(G) *Bonded Expenditures*. The term *“Bonded”* or *“Bonded Expenditures”* as applied to Net Expenditures for Property Additions shall mean the sum of (without duplication): (i) Exeter Pre-Merger Net Expenditures as have been used by Exeter as the basis for the issuance of bonds under the Exeter Indenture, the withdrawal of cash or other credit under any provision of the Exeter Indenture prior to the Merger Date (the *“Exeter Pre-Merger Bonded Expenditures”*), (ii) Company Pre-Merger Net Expenditures as have been used by the Company as the basis for the issuance of Bonds, the withdrawal of cash or the taking of other credit under the provision of this Indenture prior to the Merger Date (the *“Company Pre-Merger Bonded Expenditures”*) and (iii) Company Post-Merger Net Expenditures as have been used as the basis for the issuance of Bonds, the withdrawal of cash or the taking of other credit under the provisions of this Indenture, on or after the Merger Date (the *“Company Post-Merger Bonded Expenditures”*); *provided, however*, (A) the Exeter Pre-Merger Net Expenditures which were bonded on the basis of a ratio of bonds issued or cash withdrawn or other credit taken under the Exeter Indenture of 60% of Net Expenditures for Property Additions shall be recalculated as of the Merger Date as though all such bonds so issued or cash withdrawn or other credit taken under the Exeter Indenture were bonded on the basis of a ratio of 68% of Net Expenditures for Property Additions rather than a ratio of 60%, all as calculated in Annex B to Exhibit B hereof, and the term *“Exeter Pre-Merger Bonded Expenditures”* shall reflect and mean the amount of bonded Net Expenditures for Property Additions so calculated, and (B) the Company Pre-Merger Net Expenditures used as a basis for bonds issued or cash withdrawn or other credit taken under the Indenture shall be bonded on the basis of a ratio of 68% of Net Expenditures for Property Additions, all as calculated in Annex C to Exhibit B hereof, and the term *“Company Pre-Merger Bonded Expenditures”* shall reflect and mean the amount of bonded Net Expenditures for Property Additions so calculated;

(H) *Net Bondable Expenditures for Property Additions, Net Bondable Expenditures*. The term *“Net Bondable Expenditures for Property Additions,”* herein sometimes, referred to as *“Net Bondable Expenditures,”* shall mean as of any specified date the sum of (without duplication): (i) the excess of Exeter Pre-Merger Net Expenditures over Exeter Pre-Merger Bonded Expenditures (the *“Exeter Pre-Merger Bondable Expenditures”*), (ii) the excess of Company Pre-Merger Net Expenditures over Company Pre-Merger Bonded Expenditures (the *“Company Pre-Merger Bondable Expenditures”*) and (iii) the excess of Company Post-Merger Net Expenditures over Company Post-Merger Bonded Expenditures (the *“Company Post-Merger Bondable Expenditures”*); and

(I) *Certificate of Net Bondable Expenditures, New Gross Expenditures, New Property Additions.* The term “*Certificate of Net Bondable Expenditures*” shall mean an Officers’ Certificate in substantially the form attached hereto as Exhibit B which shall include:

(i) a statement of the aggregate amount of “Gross Expenditures” (herein sometimes called “*New Gross Expenditures*”) which have not been included in any previous such certificate or in any similar certificate delivered prior to the Merger Date by officers of Exeter pursuant to the Exeter Indenture; a description in reasonable detail of the Property Additions (sometimes hereinafter called “*New Property Additions*”) for which such expenditures were made; and a statement as to whether or not any of such New Property Additions constitute Purchased Property and, if so, a statement of the New Gross Expenditures made therefor;

(ii) a statement of the aggregate amount of Retirements not included in any previous such certificate or in any similar certificate delivered prior to the Merger Date by officers of Exeter pursuant to the Exeter Indenture and in so far as they represent specific physical property, a description in reasonable detail of such property.

Section 4.02. Definitions for Earnings Test. For the purposes of this Indenture each of the following terms shall be construed to have the meaning hereinafter specified respectively:

(A) *Gross Operating Revenues.* The term “*Gross Operating Revenues*” as applied to any period shall mean gross receipts of the Company from its business as an electric public utility company for such period and shall not include income derived from stocks, Bonds or other securities or gains arising from appreciation in value or from the sale or other disposition of fixed capital assets of the Company or of stocks, Bonds or other securities.

(B) *Earnings Available for Interest Charges.* The term “*Earnings Available for Interest Charges*” as applied to any period shall mean the amount by which the aggregate Gross Operating Revenues of the Company for such period exceeds all operating expenses of every character (except interest charges on indebtedness of the Company) for such period, such expenses to include (but not to be limited to) rents, insurance premiums, expenditures for maintenance, reasonable charges against income for the establishment of a reserve for depreciation (not less than the amounts required to be charged therefor pursuant to Section 8.05), all taxes (except any Federal and State taxes based directly or indirectly on income, including any State of New Hampshire taxes in the nature of a gross receipts tax which the Company is entitled to recover from its customers in its rates), and all other expenses in connection with its business as an electric public utility company, computed if a uniform system of accounts is prescribed by any commission or other governmental body having jurisdiction in the premises in accordance with such uniform system, otherwise in accordance with accepted accounting practice.

(C) *Earnings Available for Interest Charges Certificate, Annual Interest Requirements.* The term “*Earnings Available for Interest Charges Certificate*” shall mean an officers’ certificate:

(i) stating the Earnings Available for Interest Charges of the Company for a period of twelve (12) consecutive calendar months within the fifteen (15) calendar months immediately preceding the first day of the month in which the application for the authentication and delivery under this Indenture of Bonds then applied for or other application is made; and

(ii) stating the aggregate annual charges for interest on all indebtedness of the Company outstanding at the date of such application (except any for the refunding of which Bonds applied for are to be issued) and on all Bonds then to be issued hereunder, said aggregate sum being sometimes herein referred to as the “*Annual Interest Requirements.*”

For the purposes of such Earnings Available for Interest Charges Certificate, Earnings Available for Interest Charges of the Company (i) shall include for such twelve months period Earnings Available for Interest Charges computed in the same manner as are those of the Company derived by predecessors from all Purchased Property acquired within such twelve months period or about to be acquired by the Company, Gross Expenditures for which have been included in a prior Certificate of Net Bondable Expenditures or are included in the Certificate of Net Bondable Expenditures in connection with which such Earnings Available for Interest Charges Certificate is being filed, (ii) if any Property Additions are disposed of (a “*Disposition*”) within such twelve months period or about to be disposed of by the Company, for such twelve months period Earnings Available for Interest Charges shall be computed in the same manner as though such Disposition occurred on the first day of such period, and (iii) for any such twelve months period which includes one or more days prior to the Merger Date, Earnings Available for Interest Charges for Exeter shall be computed in the same manner as are those of the Company and as though Exeter had merged into the Company on the first day of such twelve months period. Any increase or decrease in Gross Operating Revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period for which the computation of the Earnings Available for Interest Charges Certificate is based shall be annualized for such Certificate and there shall also be annualized for such Certificate the related fixed expenses and charges as are known to the principal officers of the Company.

Section 4.03. General Provisions. Additional Bonds, executed pursuant to the provisions of this Article and Articles V and VI hereof shall be authenticated by the Trustee and delivered to or upon the order of the Company upon the receipt by the Trustee of the following documents in addition to the documents specified elsewhere in said three Articles:

(a) The documents specified in Section 2.06 hereof;

(b) A Resolution authorizing the execution and authentication of such Bonds together with a Stockholders Resolution authorizing the issuance of such Bonds under the

provisions hereof or, in the alternative, an opinion of counsel to the effect that no such Stockholders Resolution is necessary for the issue or validity of such Bonds or to entitle the same to the security and lien hereof;

(c) A certified copy of an order issued by each such commission or other body or official as at the time shall, under any pertinent law, have power or authority over the issuance of Bonds hereunder or over the subjection of the mortgaged property or any part thereof to liens, authorizing the issuance of such Bonds, together with an opinion of counsel to the effect that any order or orders tendered are sufficient in the connections aforesaid, or, in the alternative, an opinion of counsel to the effect that no such order is requisite in respect of such additional Bonds or in respect of the lien hereof for the security of such Bonds to render such Bonds the valid obligations of the Company and the lien hereof effective for the security thereof; and

(d) A receipt or other evidence satisfactory to the Trustee establishing the payment of any stamp, recording or other tax required by law to be paid in connection with the issuance of such additional Bonds or for the effectiveness of the lien of this Indenture for the security thereof, together with an opinion of counsel to the effect that the taxes paid constitute all taxes of either nature aforesaid, or in the alternative an opinion of counsel to the effect that payment of no such tax is requisite in this connection or for the purposes aforesaid.

Section 4.04. Additional Bonds Against Property Additions Issuance Tests. Additional Bonds of any series other than the Exchange Bonds issued after the execution and delivery of the Twelfth Supplemental Indenture may be issued hereunder to the extent of sixty-eight per cent (68%) of Net Bondable Expenditures for Property Additions as shown by the Certificate of Net Bondable Expenditures required by subparagraph (1) of Section 4.05 hereof provided that the Earnings Available for Interest Charges as shown by the certificate required by subparagraph (3) of said Section 4.05 hereof are equal at least to two (2) times the Annual Interest Requirements stated in such certificate.

Section 4.05. Documents Required for Authentication of Bonds. When requesting the authentication of Bonds pursuant to this Article the Company shall deliver to the Trustee:

(1) A Certificate of Net Bondable Expenditures dated as of a date within sixty (60) days of the date on which such Bonds are to be issued;

(2) An Officers' Certificate dated as of the date of the delivery of such Bonds stating that:

(i) the amount, if any, shown in Item (12) of the certificate referred to in (1) above plus Gross Expenditures for Property Additions since the date of said certificate exceeds Net Retirements since the date of said certificate;

(ii) the Company is not in Default hereunder;

(3) An Earnings Available for Interest Charges Certificate; and

(4) If there be included in such Certificate of Net Bondable Expenditures any New Gross Expenditures, the following:

(i) An Engineer's Certificate dated as of the date of such Certificate of Net Bondable Expenditures (such Engineer's Certificate, if such Certificate of Net Bondable Expenditures includes any considerations other than cash or if the New Property Additions thereby acquired include Purchased Property, either to be an Independent Engineer's Certificate or the statements therein contained with respect to considerations other than cash and/or Purchased Property to be those of an Independent Engineer, the scope of whose signature and verification thereof may be limited to such matters):

(a) stating that the signer has examined and inspected such Property Additions and that their construction or acquisition was reasonable from the standpoint of the Company and of the bondholders;

(b) setting forth their fair value as of the date of such certificate and if such Property Additions include Purchased Property, deducting any portion thereof not useful in the conduct of the Company's business as an electric public utility company;

(c) setting forth, as of the date of such certificate, the market value or, if none, the fair value of any securities, or other property included in such New Gross Expenditures;

(d) stating that the amount of such New Gross Expenditures included in said Certificate of Net Bondable Expenditures does not exceed the fair value of the Property Additions acquired thereby; and

(e) if the Opinion of Counsel responsive to (ii) of this subparagraph (4) sets forth any Permitted Encumbrances, stating that such Permitted Encumbrances do not impair the use of the property to which they pertain for the purposes for which such property is held by the Company;

(ii) An Opinion of Counsel stating that the Company has good and marketable title to such Property Additions free from all encumbrances excepting the lien of this Indenture and Permitted Encumbrances, specifying any such Permitted Encumbrances, and if any thereof consist of liens for taxes, assessments or governmental charges which are delinquent and the validity of which the Company is contesting in good faith, stating that none of the trust estate will be in danger of being lost or forfeited by reason thereof;

(iii) An indenture supplemental hereto or other instrument or instruments of conveyance specifically subjecting such Property Additions to the lien hereof together with an Opinion of Counsel stating that such supplemental indenture or other instrument or instruments are sufficient, and no other documents are required, to subject such Property Additions to the lien hereof as a direct first mortgage lien, or, in the alternative, an Opinion of Counsel to the effect that such additions are so subject without any such indenture or other instrument.

ARTICLE V

BONDS FOR REFUNDING PURPOSES

Section 5.01. General Provisions. Additional Bonds of any series may, from time to time, be executed by the Company and delivered to the Trustee for or on account of the payment, purchase and cancellation, redemption or other discharge at, before or after maturity, of Available Bonds theretofore authenticated under this Indenture in an aggregate principal amount equal to the aggregate principal amount of such Available Bonds, and the Trustee shall, subject to the provisions of this Article, authenticate and deliver the same to or upon the Order of the Company upon receipt by the Trustee of:

(1) The documents required by the provisions of Section 4.03 hereof;

(2) Bonds theretofore authenticated and delivered hereunder; *provided, however,* that in lieu of Bonds which have been called for redemption or are then about to mature it shall be sufficient if funds in an amount sufficient to redeem or pay the same shall have been deposited with the Trustee and made presently available for payment to the holders of such Bonds and evidence furnished to the satisfaction of the Trustee that notice of any such redemption has been duly given, or provided for, or waived;

(3) An Officers' Certificate, dated as of the date of the delivery of such additional Bonds, stating that the Company is not in Default hereunder and that all of the Bonds proposed to be refunded constitute Available Bonds.

Section 5.02. Issuance Requirements. No Bonds shall be authenticated and delivered under the provisions of this Article except (i) Bonds which bear an interest rate no higher than that of the Bonds which they are to refund or (ii) Bonds issued to refund Bonds which have been Outstanding more than five years and which have an expressed maturity not later than two years from the date on which such refunding Bonds are to be issued, unless an Earnings Available for Interest Charges Certificate shall have been filed with the Trustee from which it shall appear and in which the Company certifies that the Earnings Available for Interest Charges of the Company for the period covered by such certificate were at least equal to two times the Annual Interest Requirements therein stated.

ARTICLE VI

BONDS AGAINST CASH

Section 6.01. General Provisions. Additional Bonds of any series may be issued under this Indenture from time to time equal in principal amount to the amount of cash at the time deposited with the Trustee *provided*, nevertheless, that no Bonds shall be issued against cash required to be deposited with the Trustee under any provisions of this Indenture. Bonds so issued may be executed by the Company and delivered to the Trustee and the Trustee shall authenticate and deliver the same to or upon the order of the Company upon receipt of:

- (1) The documents required by the provisions of Section 4.03 hereof;
- (2) An officers' certificate dated as of the date of the delivery of such Bonds stating that the Company is not in Default hereunder;
- (3) An Earnings Available for Interest Charges Certificate;
- (4) Cash in an amount equal to the principal amount of the Bonds to be authenticated;

if it shall appear by the Earnings Available for Interest Charges Certificate responsive to subparagraph (3) of this Section that the Earnings Available for Interest Charges for the period covered by such certificate are at least equal to two (2) times the Annual Interest Requirements therein stated.

Section 6.02. Cash Withdrawal Requirements. Cash received by and on deposit with the Trustee under the provisions of this Article after the execution and delivery of the Twelfth Supplemental Indenture may on orders of the Company be withdrawn, from time to time, to the extent of sixty-eight per cent (68%) of Net Bondable Expenditures for Property Additions as shown in the pertinent certificate responsive to subparagraph (1) of this Section, upon receipt by the Trustee of:

- (1) A Certificate of Net Bondable Expenditures dated as of a date within sixty (60) days of the date on which such cash is to be withdrawn;
- (2) An Officers' Certificate dated as of the date of the withdrawal of such cash stating that
 - (a) the amount, if any, shown in Item (12) of the certificate referred to in (1) above plus Gross Expenditures for Property Additions since the date of said certificate exceeds Net Retirements since the date of said certificate, and
 - (b) the Company is not in Default hereunder;

(3) If there be included in such Certificate of Net Bondable Expenditures any New Gross Expenditures, the documents required by (i), (ii) and (iii) of subparagraph (4) of Section 4.05 hereof.

ARTICLE VII

REDEMPTION OF BONDS

Section 7.01. Manner of Redemption. Whenever the Company shall determine to exercise any optional right it may have to redeem Bonds of any series issued hereunder, it shall file with the Trustee not less than sixty days prior to the date fixed for the redemption of such Bonds, a Resolution specifying the principal amount of and designating the series of Bonds to be redeemed and shall, on or before the date fixed for redemption, deposit with the Trustee sufficient moneys to redeem such Bonds and pay to the Trustee its proper expenses and charges in connection with such redemption.

Section 7.02. Selection of Bonds to Be Redeemed. The selection of Bonds (or, in case of fully registered Bonds, of portions thereof) to be redeemed shall, in case less than all of the Outstanding Bonds of any series are to be redeemed, be made by the Trustee as follows:

(a) The particular Bonds of such series to be redeemed in whole or in part shall be designated by the Trustee not more than 60 days nor less than 30 days prior to the date fixed for such redemption by proration so that the principal amount to be redeemed of Bonds of such series then held by each holder shall bear the same ratio to the total principal amount of all Bonds of such series then to be redeemed as the total principal amount of all Bonds of such series then held by such holder bears to the total principal amount of all Bonds of such series then Outstanding; *provided, however*, that (i) the Trustee in making any proration pursuant to this Section shall make such adjustments as it shall deem proper to the end that the principal amount of Bonds so redeemed shall be \$1,000 or a multiple thereof, by increasing or decreasing the amount which would be allocable to any holder on the basis of exact proration by an amount not exceeding \$1,000 and (ii) if there shall have been previously filed with the Trustee a written consent of all holders of Bonds of such Series specifying some other method of selecting Bonds of such series to be redeemed such selection shall be made by the Trustee in accordance therewith; or

(b) If the Trustee shall determine that the selection method described in the foregoing clause (a) shall not then be appropriate, the particular Bonds of such series to be redeemed in whole or in part shall be selected by the Trustee by lot in any manner deemed by it proper.

The Trustee shall promptly notify the Company in writing of the distinctive numbers of the Bonds which, or portions of which, have been selected for redemption, and the principal amount thereof to be redeemed in the case of fully registered Bonds of a denomination greater than \$1,000.

Section 7.03. Notice of Redemption. Notices of redemption, stating when funds for the redemption are expected to be available to the holders of the Bonds to be wholly or partly redeemed, shall be given to the holders by the Trustee in the name and on behalf of the Company. Redemption notices for all Bonds issued hereunder shall contain the information required by Section 7.04 and, unless otherwise provided in the supplemental indenture creating a particular series, shall be mailed as hereinafter provided not more than 60, nor less than 30, days prior to the date fixed for redemption. The Trustee in the name and on behalf of the Company, as the case may be, shall send a copy of such notice to the registered owner of each Bond, so called for redemption, by reputable overnight courier, or by certified mail, postage prepaid, addressed to him at his last known address as it appears upon the bond register.

Whenever notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to such notice. Any such waiver of notice by the holders of Bonds shall be filed with the Trustee.

Section 7.04. Redemption Price. Each notice of redemption shall specify the price at which such Bonds are to be redeemed, the series, date of maturity, date of redemption, and if less than all of the Bonds outstanding of a specified series are to be redeemed, the serial numbers of such Bonds.

Section 7.05. Partial Redemption of Bonds. In case any Bond is to be redeemed in part only, such notice shall specify the principal amount thereof to be redeemed and shall state that at the election of the registered owner of such Bond and upon surrender thereof for redemption, a new Bond or new Bonds of that series in aggregate principal amount equal to the unredeemed portion of such Bond will be issued in lieu thereof, and, in such case, the Company shall execute and the Trustee shall authenticate and deliver such new Bond or Bonds to or upon the written order of the registered owner of such Bond at the expense of the Company, *provided, however*, that the Trustee shall pay interest, premium (if any) and principal upon any Bond without surrender or presentation thereof if any holder which is an Institutional Holder files with the Trustee an agreement pursuant to which such holder agrees that (A) it will not sell, transfer or otherwise dispose of any such Bond with respect to which such redemption has been made unless either (i) it shall have made a notation thereon of the principal so redeemed or (ii) the Bond shall have been presented to the Trustee for such notation or (iii) such Bond shall have been surrendered in exchange for a new Bond having a principal amount equal to the unredeemed portion and (B) it will present the Bond to the Trustee before being paid the entire remaining principal balance of such Bond.

Section 7.06. Deposited Moneys for Redemption. All moneys deposited with or held by the Trustee for the redemption of Bonds shall be held upon the trusts hereof for the account of the holders of the Bonds designated or selected for redemption.

Section 7.07. Cancellation of Bonds. All Bonds which have been redeemed shall be cancelled by the Trustee, and shall be delivered to or upon the order of the Company and shall not be reissued.

Section 7.08. Payment of Redemption. When notice of redemption of any Bond, or part thereof, shall have been duly given or waived, such Bond, or part thereof, shall become due and payable on the date fixed for redemption in said notice and if the amount necessary to redeem such Bond, or part thereof, shall be deposited with the Trustee, such amount shall be held by the Trustee as provided in Section 7.06 and shall be paid when due to the registered owner of such Bond provided that if presentation of such Bond is required hereunder, such Bond shall have been presented to the Trustee. If the amount necessary to redeem any Bond, or part thereof, called for redemption shall have been irrevocably deposited with the Trustee in trust for the account of and shall be immediately available for payment to the holder of such Bond, and all proper charges and expenses of the Trustee in connection therewith shall have been paid, and if the notice hereinbefore mentioned shall have been duly given or waived, or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, when all of said conditions shall have been satisfied and the Trustee has complied with the first sentence of this Section 7.08, (a) the Company (subject to the provisions of Section 16.10) shall be released from all liability on such Bond, or part thereof, so called for redemption, and such Bond, or part thereof, so called for redemption shall no longer be deemed to be Outstanding and shall cease to be entitled to any lien or benefit of or under this Indenture, (b) the holder of such Bond, or part thereof, so called for redemption shall look thereafter for the payment of the principal thereof and premium, if any, and of accrued and unpaid interest, solely to the redemption funds in the hands of the Trustee for payment thereof, and (except as provided in Section 16.10) in no event to the Company, (c) the holder of such Bond shall have the right to receive prepayment of the redemption price thereof, including interest to such redemption date, at any time after the deposit of such redemption price, and (d) after such redemption date, no interest will accrue thereon.

ARTICLE VIII

GENERAL COVENANTS

Section 8.01. Further Actions. The Company covenants that it will faithfully do and perform and at all times faithfully observe any and all covenants, undertakings, stipulations and provisions contained in each and every Bond executed, authenticated and delivered hereunder and in the several and successive Resolutions pursuant to or in observance of the provisions of this Indenture. The Company covenants that it will promptly make, execute, and deliver all further assurances, including all financing and continuation statements covering security interests in personal property, indentures supplemental to the Indenture or other instruments, and take all such further action as may reasonably be by the Trustee, or by its counsel, deemed necessary or advisable for the better securing of any Bonds issued or to be issued hereunder, or for better assuring and confirming to the Trustee the Mortgaged Property or any part thereof. The Company covenants that it will cause this Indenture to be duly recorded and/or filed and to be duly rerecorded and/or refiled at the times and in the places now or hereafter required by law for the proper maintenance of the validity and priority of the lien hereof.

Section 8.02. Payment. The Company covenants that it will promptly pay the principal of and interest on every Bond issued hereunder in lawful money of the United States of America at the dates and places and in the manner prescribed in such Bond and herein. Notwithstanding the

above or any other provisions of this Indenture or any Bond issued hereunder, the Company may enter into an agreement with the holder of any Bond providing for the payment to such holder of the principal of (and premium, if any) and interest on such Bond or any part thereof at a place other than as designated therein or in such Bond, providing for the payment to such holder of all or a portion of the principal of and the premium, if any, and interest on such Bond at a place other than the place specified in such Bond as the place for such payment without the necessity in the case of a partial payment of principal, of surrendering the Bond for a new Bond, and in accordance with Section 7.05 for the making of notation of principal payments on such Bond by such holder. The Trustee is authorized to consent to any such agreement and shall not be liable or responsible to any such holder or to the Company for any act or omission on the part of the Company or any holder of a Bond in connection with any such agreement. The Company covenants it will, prior to the maturity of each installment of interest and prior to the maturity of each such Bond, deposit with the Trustee, or other paying agent appointed with respect to the Bonds of any particular series, in lawful money of the United States of America an amount sufficient to make payments of principal (and premium, if any,) and interest on the Bonds on or prior to the date such payments are due.

Section 8.03. Maintain Title of Property. The Company covenants that, except as to that part of the Mortgaged Property which may hereafter be acquired by it, it is on the Merger Date well seized of the physical properties by it hereby mortgaged or intended so to be and has good right, full power, and lawful authority to make this Indenture and subject such physical properties to the lien hereof in the manner and form herein respectively done or intended; and that it has and, subject to the provisions hereof, will preserve good and indefeasible title to all such physical properties, and will warrant and forever defend the same to the Trustee against the claims of all persons whatsoever.

Section 8.04. Taxes and Assessment; Liens. The Company covenants that it will promptly pay or cause to be paid all lawful taxes, charges and assessments at any time levied or assessed upon or against the Mortgaged Property or any part thereof, and/or the interest of the Trustee and of the holders of the Bonds Outstanding under this Indenture before the same become delinquent, *provided, however*, that no such tax, charge or assessment shall be required to be paid so long as the validity of the same shall be contested in good faith by appropriate legal proceedings so long as adequate reserves in respect thereof have been established in accordance with GAAP; that there are not outstanding on the Merger Date and that the Company will not at any time create or permit to be created or allow to accrue or to exist any lien or liens prior to the lien of this Indenture upon the Mortgaged Property or any part thereof, or the income therefrom, save only any Permitted Encumbrances and the lien of any mortgage or other lien on any property hereafter acquired by the Company which may exist on the date of, or be created as a vendor's lien or as a purchase money mortgage in connection with, such acquisition; and that neither the value of the Mortgaged Property nor the lien of this Indenture will be diminished or impaired in any way as the result of any action or nonaction on the part of the Company.

Section 8.05. Conduct Business and Maintain Properties. The Company covenants that its business will be carried on and conducted in an efficient manner, and that all of its plants, appliances, systems, equipment and property useful and necessary in the carrying on of its business will be kept in thorough repair and maintained in a state of high operating efficiency in

accordance with standards generally acceptable in the utility industry. The Company covenants that it will expend for maintenance and reserve for depreciation whatever amounts may be necessary so to maintain the Mortgaged Property and provide for the Retirement of the depreciable portion of the Mortgaged Property, which amounts shall be not less than those prescribed by any governmental regulatory body having jurisdiction in the premises; and that in any event the Company will charge as an expense and credit to depreciation reserve in each of its fiscal years an amount which shall be not less than 2.3% of the average amount of its depreciable property for such year.

Whenever the holders of at least a majority in principal amount of the Bonds Outstanding shall so request in a written notice served upon the Trustee, but not more frequently than once every five years, the Company shall appoint an Independent Engineer satisfactory to the holders of a majority in principal amount of the Bonds Outstanding to make an inspection of the property of the Company. The Company shall cause such Independent Engineer, within a reasonable time after the date of his appointment, to report to the Company and to the Trustee whether or not the property of the Company is in general being maintained as required by this Section, and whether or not any part of such property that is no longer used or useful in the business of the Company has been duly recorded as retired on its books.

If such Independent Engineer shall report that the property has not been so maintained, he shall state in his report the character and extent and estimated cost of making good such deficiency. The Company shall then proceed with all reasonable speed to do such maintenance work as may be necessary to make good any such maintenance deficiency, whereupon such engineer shall, within a period of 90 days following the Company's completion of such work, report in writing to the Trustee whether such deficiency has been made good; *provided, however*, that in case such engineer shall fail or refuse to make such report within such period, the Trustee shall appoint another Independent Engineer satisfactory to the holders of a majority in principal amount of the Bonds Outstanding to make such report. Unless the Trustee shall be so advised in writing by such engineer within one year from the date of any report determining a maintenance deficiency to exist, or such longer period as may be stated in such report to be reasonably necessary for the purpose, that such deficiency has been made good, the Company shall be deemed to have defaulted in the due performance of the covenant as to the maintenance of its property contained in this Section 8.05.

If such Independent Engineer shall report that there is any property no longer used or useful which has not been recorded as retired on the books of the Company, he shall briefly describe such property and state the aggregate Retirement which should be stated on such books with respect thereto. The Company shall then make on its books appropriate entries recording the Retirement of such property.

Section 8.06. Compliance with Underlying Mortgages. The Company covenants that all of the covenants, conditions and agreements of any Underlying Mortgage upon any property hereafter acquired by it will in all respects be fully complied with; that upon the payment of all bonds issued under each such mortgage it will procure such mortgage to be effectively satisfied and discharged of record; that the Company will not issue or permit to be issued any additional

bonds secured by any Underlying Mortgage, but that each and every such mortgage shall be effectively closed at the date of the acquisition of such property.

Section 8.07. Acquisition of Property Subject to Underlying Mortgages. The Company covenants that it will not acquire any property which after its acquisition will be subject to any Underlying Mortgage unless prior to the acquisition thereof it shall have filed with the Trustee an Officers' Certificate from which it shall appear and certify that the aggregate of the Earnings Available for Interest Charges of the Company and the Earnings Available for Interest Charges of the property to be acquired, computed in the same manner as are Earnings Available for Interest Charges of the Company in Section 4.02(c), for any consecutive twelve months out of the fifteen calendar months immediately preceding the acquisition of such property is equal to at least two times the Annual Interest Requirements on all Bonds Outstanding and other indebtedness of the Company for borrowed money, plus all bonds and/or other obligations secured by existing Underlying Mortgages and all bonds and/or other obligations secured by any Underlying Mortgage or other lien (whether or not prior to the lien of this Indenture) upon the property so to be acquired, and will not acquire any property subject to any Underlying Mortgage securing indebtedness in excess of sixty per cent (60%) of the lesser of:

- (a) the fair value of such property to the Company at the date of acquisition thereof; and
- (b) the aggregate of (i) the amount of any lien subject to which such property is acquired, (ii) the amount of any purchase money mortgage or vendor's lien created in connection with its acquisition, (iii) any cash payment made therefor, and (iv) the market value, or, in the absence thereof, the fair value of any securities or other property of the Company exchanged therefor;

all as of the date of and as established by an Independent Engineer's Certificate, filed with the Trustee, dated as of the date of the acquisition of such property, unless to offset such part of such indebtedness as shall exceed such percentage there shall be appropriated Net Bondable Expenditures for Property Additions in an amount equivalent to such excess. Such appropriation shall be evidenced by a Resolution deposited with the Trustee together with a Certificate of Net Bondable Expenditures dated as of the date of such appropriation and, if there be included in such Certificate of Net Bondable Expenditures, any New Gross Expenditures, the documents required by (i), (ii) and (iii) of subparagraph (4) of Section 4.05.

The Company further covenants that it will not acquire any property which after its acquisition will be subject to any Underlying Mortgage if such acquisition would operate to increase the aggregate principal amount of all bonds and/or other obligations secured by Underlying Mortgages (other than such bonds and/or other obligations for the purchase, payment or redemption of which cash in the necessary amount shall have been irrevocably deposited with the trustee or mortgagee under the Underlying Mortgage or mortgages securing the same or with the Trustee hereunder) to an amount greater than fifteen per cent (15%) of the aggregate principal amount of all Bonds at the time issued and Outstanding under this Indenture.

Section 8.08. Records of Accounts and Certificate. The Company covenants that proper books of record and account will be kept in which full, true and correct entries will be made of all dealings or transactions of, or in relation to, the plants, properties, business and affairs of the Company, and that it will:

(a) At such times as the Trustee shall reasonably request, furnish statements in reasonable detail showing the earnings, expenses and financial condition of the Company;

(b) From time to time furnish to the Trustee such data as to the plants, property and equipment of the Company, as the Trustee shall reasonably request;

(c) On or before the expiration of one hundred and twenty (120) days after the end of each fiscal year, furnish to the Trustee a full audit and report certified by independent certified public accountants, covering the operations of the Company during such fiscal year, and showing the earnings and expenses for such period, and in reasonable detail, the assets, liabilities and financial condition of the Company at the expiration thereof; provided for the first fiscal year ending after the Merger Date, the foregoing shall be reported on as though Exeter had merged into the Company on the first day of such fiscal year. Said balance sheets and reports shall be available at all reasonable times for the inspection of any bondholder or his authorized agent.

The Company further covenants that all books, documents and vouchers relating to the plants, properties, business and affairs of the Company shall at all times be open to the inspection of such accountants or other agents as the Trustee may from time to time designate.

Section 8.09. Annual Certificate of Compliance. The Company covenants that it will, on or before the expiration of ninety (90) days after the end of each fiscal year, file with the Trustee: (1) an Opinion of Counsel either stating that such action has been taken with respect to the execution and delivery of supplemental indentures, conveyances or other instruments, including all financing and continuation statements covering security interests in personal property, and the recording and filing of the same and of this Indenture and the re-recording and re-filing of this Indenture as is necessary for the purpose of maintaining the validity and priority of the lien and security interest hereof on the Mortgaged Property and reciting the details thereof, or stating that no such action is required for such purpose; and (2) an Officers' Certificate fully describing all insurance policies then in force on the Mortgaged Property, or any part thereof, stating that all such policies provide that all losses shall be payable to the Trustee, as its interest may appear, and stating that the Company has complied with the requirements of Section 8.10 with respect to the maintenance of insurance and stating: (a) that all taxes which became due on the Mortgaged Property during such fiscal year have been duly paid unless the Company shall in good faith, by appropriate action, contest any of said taxes, in which event such contest shall be set forth; (b) that all insurance premiums which became due during such fiscal year upon the insurance policies to which reference is hereinbefore made have been paid; (c) that no additional Fixed Property has been acquired by the Company during such calendar year, or if any Fixed Property has been so acquired, briefly describing the same and stating the cost thereof; and (d) whether or not the Company is in default in the fulfillment of any of its obligations under the Indenture and

if a Default or Event of Default has occurred and then exists, specifying the nature and period thereof and the action the Company is taking with respect thereto.

Section 8.10. Insurance. The Company covenants that it will keep such of the Mortgaged Property as is of an insurable nature and of the character usually insured by companies engaged in similar geographical locations in any of the businesses in which the Company is or may be engaged insured against loss or damage by fire and from other hazards customarily insured against by such companies and will carry such insurance with insurance companies of good standing in amounts not less than the fair insurable value of the properties insured.

All policies required by the provisions of this Section to be carried by the Company shall provide that all losses shall be payable to the Trustee, as its interest may appear. In case of any Event of Default by the Company in fulfilling the covenants contained in this Section with respect to the carrying of insurance, the Trustee may, at its option, effect such insurance in the name of the Company or in the name of the Trustee and all premiums paid by the Trustee for such insurance shall be repaid by the Company on demand and if not so repaid shall be secured by the lien of this Indenture in priority to the indebtedness evidenced by Bonds issued hereunder. Upon the happening of every loss the Company shall make due proof of loss and shall do all things necessary or desirable to cause the insurer or insurers to make payment in full directly to the Trustee. In case of any loss covered by any policy of insurance, any appraisal or adjustment of such loss and settlement and payment of indemnity therefor which shall be agreed upon between the insured and the insurer shall be accepted by the Trustee and the Trustee shall in no way be liable for the adjustment of such loss. The Company shall upon the execution of this Twelfth Supplemental Indenture furnish to the Trustee a statement in writing signed by an officer of the Company fully describing all policies of insurance then in force covering the Mortgaged Property or any part thereof and stating that all such policies provide that all losses shall be payable to the Trustee, as its interest may appear. The Trustee at its option may, but shall not be required to, at any time, require the Company to deposit with it any or all of such insurance policies and shall require such deposit upon the occurrence of an Event of Default.

The Trustee shall from time to time, upon receiving an Officers' Certificate certifying that the property damaged or destroyed has been repaired or replaced and put in a condition at least as good as that before the loss occurred, pay to the Company the amount of the insurance money received by the Trustee on account of such loss if such amount does not exceed, in the case of any one loss, \$50,000. In all other cases the money so received by the Trustee may be paid or applied from time to time in accordance with the provisions of Sections 11.02 and 11.03.

Section 8.11. Maintenance of Corporate Existence and Rights. Subject to the provisions of Article XII hereof, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence. The Company covenants that it now has complete and lawful authority and privilege to maintain and operate its entire system and properties, and that none of its rights, franchises or privileges will be allowed to lapse or be forfeited unless the Board of Directors shall determine that any such right, franchise or privilege is not necessary for the carrying on of the Company's business; *provided, however*, that the expiration by lapse of time of any right, franchise or privilege shall not constitute a violation of this covenant, but the Company hereby expressly covenants that it will exercise its best

endeavors and any and every proper means to procure extension or renewal of each and every such right, franchise or privilege so expiring and necessary or desirable for the maintenance of any of its plants, systems or properties.

Section 8.12. Eminent Domain. The Company covenants that it will pay or cause to be paid to the Trustee the proceeds of any property subject to the lien of this Indenture which has been taken by any governmental body through the exercise of the power of eminent domain or which has been sold to such a governmental body pursuant to the provisions of any statute or franchise permitting such governmental body to compel the Company to sell the same, except such thereof as may by the terms of an Underlying Mortgage be required to be paid to or deposited with its mortgagee or trustee and as to any moneys which shall be so paid to such mortgagee or trustee, the Company covenants that if any thereof remains on deposit with such mortgagee or trustee upon the satisfaction or release of such Underlying Mortgage it will pay the same to or cause the same to be paid to the Trustee.

The Company further covenants that if any property subject to the lien of this Indenture is subject to a license under Part I of the Federal Power Act and at any time prior to the sale of such property, either under the terms of said Part I or otherwise, the Company is required by the terms of said license or by a final valid rule, regulation or order applicable thereto and to the Company, to apply funds held by it in amortization (as distinguished from depreciation) reserves accumulated, pursuant to the provisions of said license or of any such final valid rule, regulation or order, out of surplus earnings in excess of a reasonable rate of return on the Company's net investment in said property as finally determined as provided in said Part I, to the reduction of the amount of the Company's net investment therein, then the Company, if permitted to do so by the provisions of said license or of said rule, regulation or order requiring such reduction, will effect such reduction by paying or causing to be paid to the Trustee such funds so required to be applied to such reduction. If such property shall be purchased from the Company under the provisions of said Part I or of said license by the United States or by any subsequent licensee of said property under the provisions of said Part I, and the purchase price paid to the Company for such property by such purchaser is reduced by the application thereto of funds then held by the Company (and not then or theretofore held by the Trustee) as unappropriated surplus or amortization, sinking fund or similar reserves (but not including depreciation reserve) accumulated as aforesaid out of surplus earnings in excess of a reasonable rate of return on the Company's net investment in said property as finally determined as provided in said Part I, then to the extent the price paid to the Company is actually reduced by such application of such funds the Company will pay or cause to be paid an amount equal to such funds to the Trustee as part of the proceeds of the sale of such property to the United States or to such licensee. Upon the deposit of any funds with the Trustee in accordance with the provisions of this paragraph, the Company will cause to be delivered to the Trustee an Officers' Certificate stating that the funds so deposited are in the amount then required to be deposited pursuant to the provisions of this paragraph.

The Trustee on behalf of the bondholders may intervene in any proceeding for such taking or purchase by a governmental body and shall do so upon the written request of the holders of ten per cent (10%) or more in aggregate principal amount of Bonds Outstanding being first indemnified for its expenses as provided in Section 15.01 hereof. The Trustee may execute

and deliver a release of any property so taken or sold and shall be fully protected in so doing upon being furnished with (a) an Officers' Certificate requesting such release stating that such property has been taken by eminent domain and that all conditions precedent herein provided for relating to such release have been complied with, (b) an Opinion of Counsel that such governmental body had a lawful right to take such property or compel the Company to sell the same and (c) either (i) a sum in cash equal to the proceeds of such taking or (ii) a sum in cash equal to such proceeds less the amount required to be paid to or deposited with the mortgagee or trustee of an Underlying Mortgage, a receipt from such mortgagee or trustee for the amount so paid or deposited, and an Opinion of Counsel that such amount is required by the terms of such Underlying Mortgage to be so paid or deposited.

Section 8.13. Records at Trustee. The Company covenants that it will keep on file at the principal office of the Trustee a list of the names and addresses of the last known holders of all Bonds Outstanding with the principal amount of Bonds believed to be held by each. Any bondholder may require his name and address to be added to said list by filing a written request with the Company or the Trustee, which request shall include a statement of the principal amount of Bonds held by each bondholder and the numbers of such Bonds. The Trustee shall be under no responsibility with regard to the accuracy of said list. Said list may be inspected and copied by a bondholder or bondholders owning ten per cent (10%) or more in principal amount of Bonds Outstanding or by his or their authorized agent, such ownership and the authority of any such agent to be evidenced to the satisfaction of the Trustee.

Section 8.14. No Extensions for Claims of Interest. The Company covenants that no claim for interest pertaining to any Bond issued hereunder shall be kept alive after the date specified for the payment of such interest by the extension thereof or by the purchase thereof by or on behalf of the Company. Any such claim for interest which in any way at or after the date specified for the payment thereof shall have been transferred or pledged separate or apart from the bond to which it relates or which shall in any manner have been kept alive after the date specified for the payment thereof by extension or by the purchase thereof by or on behalf of the Company shall not be entitled to any benefit of or from this Indenture except after the prior payment in full of the principal of all Bonds issued hereunder and of all interest obligations not so transferred, pledged, kept alive or extended.

Section 8.15. Restricted Payments. The Company covenants that it will not declare or pay dividends (other than in its own common stock) or make any other distribution on shares of its common stock or apply any of its property or assets (other than amounts equal to any proceeds received from the sale of common stock of the Company) to the purchase or retirement of, or make any other distribution through reduction of capital or otherwise, in respect of, any shares of its common stock if, after giving effect to such distribution, the aggregate of all such distributions declared, paid, made or applied subsequent to December 31, 2000 by the Company and Exeter, plus the amount of all dividends declared or accrued on any class of preferred stock of the Company or Exeter subsequent to December 31, 2000, and any amounts charged to net income after December 31, 2000 in connection with the purchase or retirement of any shares of preferred stock of the Company or Exeter would exceed an amount equal to net income of the Company available for dividends after December 31, 2000, plus the sum of \$7,565,000.

The term “net income”, as applied to any period shall mean the net income (or deficit) of the Company and, for periods prior to the Merger Date, of Exeter for such period properly transferable to its earned surplus, all computed, if a uniform system of accounts is prescribed by any commission or other governmental body having jurisdiction in the premises, in accordance with such uniform system; otherwise in accordance with accepted accounting practice, and in any event by deducting from the aggregate gross revenues of the Company and, for periods prior to the Merger Date, of Exeter for such period all expenses required to be deducted in computing Earnings Available for Interest Charges for such period in accordance with Section 4.02(B) and (C) of the Indenture, and also by deducting all interest requirements, taxes, amortization of debt discount and expense and other deferred charges, and all other non-operating expenses for such period.

Section 8.16. Transactions with Affiliates. The Company will not and will not permit any Subsidiary to enter into directly or indirectly any transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except in the ordinary course and pursuant to the reasonable requirements of the Company’s or such Subsidiary’s business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm’s-length transaction with a Person not an Affiliate, or as may be otherwise ordered or required by a governmental authority having jurisdiction over the Company.

ARTICLE IX

SUPPLEMENTAL INDENTURES AND INDENTURE MODIFICATIONS

Section 9.01. Supplemental Indentures without Consent of Bondholders. In addition to any supplemental indenture otherwise authorized or permitted by this Indenture, the Company when authorized by Resolution and the Trustee from time to time and at any time, subject to the conditions and restrictions in this Indenture contained, and without the consent of or notice to the bondholders, may execute an indenture or indentures supplemental hereto, and which thereafter shall form a part hereof, for any one or more or all of the following purposes:

- (a) To add to the conditions, limitations and restrictions of the authorized amount, terms, provisions, purposes of issue, authentication and delivery of Bonds specified herein, other conditions, limitations and restrictions thereafter to be observed with respect to the Bonds or any one or more series thereof;
- (b) To add to the covenants and agreements of the Company in this Indenture contained, other covenants and agreements thereafter to be observed;
- (c) To provide for the creation of any series of Bonds pursuant to Articles IV, V or VI;
- (d) To evidence the succession of another corporation to the Company, or successive successions, and the assumption by a successor corporation of the covenants

and obligations of the Company and the acceptance by the successor corporation of the provisions in the Bonds hereby secured and in this instrument and in any and every supplemental indenture contained;

(e) To convey, transfer and assign to the Trustee, and to, subject to the lien of this Indenture, with the same force and effect as though included in the Granting Clauses hereof, additional properties, permits and franchises hereafter acquired by the Company through consolidation or merger, or by purchase or in any other manner whatsoever;

(f) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in this instrument or any indenture supplemental hereto;

(g) To make this Indenture conform to the Trust Indenture Act of 1939 or similar legislation or otherwise to add to the duties and obligations of the Trustee, but no such supplemental indenture which shall add to the duties and obligations of the Trustee hereunder shall be made without the written consent of the Trustee.

Section 9.02. Modification of Indenture. From time to time the holders of seventy-five per cent (75%) in aggregate principal amount of Bonds Outstanding, by an instrument or instruments in writing signed by such holders and filed with the Trustee, shall have power to assent to and authorize any modification of any of the provisions of this Indenture that shall be proposed by the Company when authorized by a Resolution, and the Trustee may enter into an indenture supplemental hereto for the purpose of adding such modification to the Indenture and any action herein authorized to be taken with the assent or authority, given as aforesaid, of the holders of seventy-five per cent (75%) in aggregate principal amount of Bonds Outstanding shall be binding upon the holders of all of the Bonds at any time Outstanding and upon the Trustee as fully as though such action were specifically and expressly authorized by the terms of this Indenture, *provided, however*, that no such modification shall (i) extend the time or times of payment of the principal of, or the interest or premium, if any, on any Bond, or (ii) reduce the principal amount thereof or the rate of interest or premium thereon, or (iii) authorize the creation of any lien prior or equal to the lien of this Indenture upon any of the Mortgaged Property, or deprive any bondholder of the benefit of the lien of this Indenture, or (iv) affect the rights under this Indenture of the holders of one or more, but less than all, of the series of Bonds outstanding hereunder unless assented to by the holders of seventy-five per cent (75%) in aggregate principal amount of Bonds Outstanding of each of the series so affected, or (v) reduce the percentage of Bonds, the holders of which are required to assent to any such modification pursuant to this Section, or (vi) in any manner affect the rights or obligations of the Trustee without its written consent thereto; and *provided further*, that, anything in this Section to the contrary notwithstanding, the holders of seventy-five per cent (75%) in aggregate principal amount of Bonds Outstanding of any particular series shall have power to waive any right specifically provided in respect of that series, and to assent to any modification of any such right which shall be proposed by the Company, subject, however, to the provisions of clauses (i) through (vi) of this Section. Any modification of the provisions of this Indenture so made as aforesaid shall be set forth in a supplemental indenture between the Trustee and the Company which shall be recorded and/or filed in the same manner as this Indenture and the Trustee shall be fully protected in acting in accordance therewith.

Section 9.03. Execution of Supplemental Indenture. No supplemental indenture shall become effective until it shall have been executed by the Trustee and the Trustee is hereby authorized to join with the Company in the execution of any supplemental indenture authorized or permitted by the provisions of this Indenture and to make the further agreements and stipulations which may be therein contained. The Trustee shall be fully protected in relying on an Opinion of Counsel as to whether or not any proposed supplemental indenture is authorized or permitted by the provisions of this Indenture and is consistent therewith.

Section 9.04. Effect of Supplemental Indenture. From and after the execution of any such supplemental indenture the covenants and provisions contained therein shall be deemed a part of this Indenture and shall bind and benefit the Company, the Trustee and the bondholders as effectually as the covenants and provisions contained in this instrument at the time of its execution, and the Trustee and the bondholders shall have the same remedies for a breach thereof as are provided in respect of a breach of the provisions and covenants now contained in this Indenture.

ARTICLE X

POSSESSION, USE AND RELEASE OF MORTGAGED PROPERTY

Section 10.01. Possession and Use of Mortgaged Property. Unless an Event of Default shall have occurred and shall not have been remedied, the Company shall be suffered and permitted to remain in full possession, enjoyment and control of all the properties, rights, privileges and franchises hereby mortgaged and shall be permitted to manage and operate the same, and, subject always to the provisions hereof, to receive, receipt for, take, use, enjoy and dispose of all rents, revenues, income, issues and profits thereof.

Section 10.02. Alterations to Mortgaged Property. While in possession of the Mortgaged Property and if no Default or Event of Default then exists, the Company shall have the right at all times, as proper management of the business of the Company may require, to alter, change, add to, repair, and make any change in the location of its buildings and structures, power plants, conduits, meters, services, transformers, poles, pole lines, transmission or distribution lines, wires, cross-arms, cables, equipment and apparatus, provided that the location of none of the Mortgaged Property may be changed so as to impair the lien of this Indenture unless such property is sold or exchanged as elsewhere in this Article permitted.

Section 10.03. Dispositions of Mortgaged Property without Release. While in possession of the Mortgaged Property and if no Default or Event of Default then exists, the Company may, without obtaining any release from or consent of the Trustee, free from the lien of this Indenture:

- (1) dispose of (i) fractional interests in poles and their appurtenances and/or the right to the joint use of such poles by the purchaser of such interest with the Company, (ii) any of its tangible personal property which may have become worn out, due for replacement in the regular course of business, disused or undesirable for use;

(2) cut and sell, and license others to cut and remove, any pulp wood, timber, logs and trees having an aggregate fair value in any one five-year period of not in excess of \$100,000, which are now, or at any time hereafter shall be, upon any land included in the Mortgaged Property;

(3) surrender or assent to the modification of any franchise which it may hold or under which it may be operating, *provided* that (a) in the event of any such surrender, the Company shall then have or shall receive at the time of such surrender a franchise which, in the Opinion of Counsel (filed with the Trustee prior to such surrender), shall authorize it to do the same or an extended business in the same or an extended territory during the same or an extended or unlimited period of time, and (b) in the event of any such modification, the franchise as modified shall, in the Opinion of Counsel (filed with the Trustee prior to the effective date of such modification), authorize the continuance of the same or an extended business in the same or an extended territory during the same or an extended or unlimited period of time; and

(4) make changes or alterations in or substitutions for any licenses or leases or surrender and cancel the same, *provided* that such change, alteration or substitution or such surrender or cancellation, as the case may be, is in the interest of the Company and will not impair the security of the Bonds Outstanding; and in such event any modified, altered or substituted grants, licenses or leases shall forthwith be subject to the terms of this Indenture to the same extent, if any, as those previously existing;

provided, however, that the Company either (i) shall apply any net cash proceeds or other consideration received by the Company for or in connection with any disposition of Mortgaged Property by the Company under this Section 10.03 in acquiring, or in reimbursing itself for, other property, not necessarily of the same character, but of value at least equal to that of the property disposed of, which other property shall be Fixed Property and shall forthwith become subject to the lien of this Indenture, or (ii) if and to the extent that such net cash proceeds or other consideration are not so applied within 12 calendar months after the receipt thereof, shall pay such net cash proceeds or an amount equal to such other consideration (unless by the terms of any prior mortgage or other instrument permitted by the terms hereof such net cash proceeds or other consideration are required to be and are applied to reduce, discharge or secure the obligations secured by any such prior mortgage or other instrument) to be held and applied by the Trustee pursuant to the provisions of Sections 11.02 and 11.03.

Section 10.04. Release of Mortgaged Property. While in possession of the Mortgaged Property and if no Default or Event of Default then exists, the Company may sell or exchange but not otherwise dispose of any of its property (in addition to the property referred to in Section 10.03 and in addition to any property released pursuant to Section 8.12 hereof) and the Trustee shall release the same from the lien hereof upon receipt by the Trustee of:

(a) A Resolution authorizing such sale or exchange and requesting such release;

(b) An Officer's Certificate signed also by an Engineer who, if the consideration to be received for the property for the release of which request is made exceeds \$150,000, shall be an Independent Engineer;

(i) describing the property for the release of which request is made and stating that in the opinion of the signers such release will be of benefit to the Company and will not be prejudicial to the security of the Bonds issued hereunder;

(ii) stating that the Company has sold or exchanged, or contracted to sell or exchange, the property for the release of which request is made for a stated consideration representing in the opinion of the signers its full value to the Company and consisting solely of cash, Property Additions and/or properties which upon such exchange will constitute Property Additions;

(iii) stating either that the property for the release of which request is made does not constitute or include all or substantially all of the physical properties of the Company subject to the lien hereof, or, that if it does constitute or include all or substantially all of such physical properties, stating that from the cash consideration received or to be received therefrom, as increased by any other Trust Moneys available for the redemption of Bonds, there will be moneys sufficient in amount to pay all of the expenses and charges due the Trustee and to redeem all Bonds Outstanding; and

(iv) if any Property Additions, or properties which upon such exchange will become Property Additions, are included in such consideration, briefly describing them, and if from the Opinion of Counsel responsive to (f) of this Section it appears that such are subject to any Permitted Encumbrances, that such Permitted Encumbrances do not impair the use of the property to which they pertain for the purposes for which such property is held or to be held by the Company;

(c) An Officers' Certificate dated as of a date not more than ten days prior to such release, stating that immediately after giving effect to such release, no Default or Event of Default shall have occurred and be continuing;

(d) All moneys stated in said certificate to be or to have been received in consideration for any property for the release of which request is made, or to the extent that such moneys constitute the consideration for property subject to an Underlying Mortgage, which, by its terms, are required to be paid to or deposited with its mortgagee or trustee, a receipt by such mortgagee or trustee for such moneys, the Company covenanting and directing that upon the satisfaction or release of such Underlying Mortgage, any such money remaining in the possession or control of such mortgagee or trustee to which the Company may be entitled shall forthwith be deposited with the Trustee;

(e) Such deeds, bills of sale, supplemental indentures, or other instruments of conveyance as may be necessary or proper to subject to the lien of this Indenture any property received in exchange for property released;

(f) An Opinion of Counsel stating;

(i) that the instruments of conveyance above mentioned are sufficient, and no other documents are required, to subject to the lien of this Indenture any property received in exchange for property released, and that all of the property received in exchange will, upon such acquisition, be subject to no liens in addition to the lien of this Indenture except Permitted Encumbrances;

(ii) if any part of the consideration for property so to be released has been or is to be paid to or deposited with the mortgagee or trustee of an Underlying Mortgage, that such consideration is required by such Underlying Mortgage to be paid to or deposited with such mortgagee or trustee;

(g) Either (i) a certificate constituting evidence of the authorization, approval or consent of any governmental body at the time having jurisdiction in the premises to the sale or exchange of the property to be released, the consideration to be received therefor and the acquisition of any property constituting any part of such consideration, together with an Opinion of Counsel that the same constitutes sufficient evidence thereof and that the authorization, approval or consent of no other governmental body is required; or (ii) an Opinion of Counsel that no authorization, approval or consent of any governmental body is required.

Section 10.04A. Application for Release of Mortgaged Property. While in possession of the Mortgaged Property and if no Default or Event of Default then exists, the Company may apply to the Trustee for the release of certain property which is not Public Utility Property (as defined below) from the lien of the Indenture subject to the release valuation limitations hereinafter provided, to be thereafter held by the Company free of the mortgage, available for sale or transfer without further authorization from or accountability to the Trustee, and the Trustee shall release the said property from the said lien upon its receipt of:

(a) A Resolution identifying the property to be released and requesting that it be released;

(b) An Officers' Certificate signed also by an Engineer who, if the release valuation of the property involved exceeds \$100,000, shall be an Independent Engineer;

(i) Identifying the property to be released and stating that no part of it is Public Utility Property nor included or includable in any way in the Company's electric utility rate base. For purposes of this certification, "*Public Utility Property*" shall mean and include all property of the Company which is used or useful to it in any aspect of its business as a New Hampshire electric public utility company, including without limitation, the transmission, distribution, use,

purchase, supply and/or delivery, sale and disposition of electricity for heat, light, power, refrigeration or any other use, or in any business incidental thereto, including all properties necessary, appropriate, or in any manner useful for the transmission, distribution, use, purchase, supply, and/or delivery, sale and disposition of electricity, together with all betterments, additions, replacements, or alterations of, upon, or to any such property, saving and excepting, however, any and all categories of property of the Company excluded from the lien of the Indenture by the several Reservation, Exception and Exclusion Clauses of the Granting Clauses of the Indenture.

(ii) Stating the release valuation of the property involved, and showing that such valuation plus the aggregate release valuation of all prior such releases of property of the Company which is not Public Utility Property for the preceding twelve calendar months does not exceed \$350,000 nor, for the preceding five-year period, an amount equal to five percent of the Company's net utility plant as of the close of the last calendar year as shown in the Company's annual report for such year to the New Hampshire Public Utilities Commission. For purposes of the foregoing computation, "release valuation" shall be defined to mean the recorded net book cost of property other than real estate, and in the case of real estate, the greater of (x) net book cost or (y) the latest assessed valuation for purposes of local real estate taxation.

(c) An Officer's Certificate dated as of a date not more than ten days prior to such release, stating that after giving effect to such release, no Default or Event of Default shall have occurred and be continuing; and

(d) A sum of money equivalent to the release valuation of the property to be released from the lien of the Indenture.

Section 10.05. Purchaser Protected. In favor of every purchaser from the Company, and of every person claiming any interest by, through or under the Company, every release of property from the lien of this Indenture by the Trustee under the provisions of Section 8.12 and this Article shall be valid, and no such purchaser or person need inquire as to the power or authority of the Trustee to make any such release, or see to the application of the purchase money.

Section 10.06. Company's Covenant Regarding Disposition. The Company covenants that it will not sell, exchange or otherwise dispose of any of its properties except in the manner permitted by Section 8.12 and this Article, *provided, however*, that nothing in this Section shall be construed to be in derogation of the provisions of Article XII.

Section 10.07. Powers Exercisable by Receiver or Trustee. In case the Mortgaged Property shall be in the possession of a receiver or trustee lawfully appointed, the powers in and by this Article conferred upon the Company may be exercised by such receiver or trustee and if the Trustee shall be in possession of the Mortgaged Property under any provision of this

Indenture then all the powers in Section 8.12 and this Article conferred upon the Company may be exercised by it in its discretion.

ARTICLE XI

HOLDING AND APPLICATION OF TRUST MONEYS

Section 11.01. "Trust Moneys" Defined. All moneys required to be deposited with or paid to the Trustee under any provision hereof shall be held by it in trust (all such moneys being herein sometimes called "*Trust Moneys*"). Except for Trust Moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, all Trust Moneys so paid over to the Trustee shall, while held by it, constitute part of the Trust Estate and be subject to the lien hereof. While held by the Trustee any such Trust Moneys may be invested as provided in Section 11.06 and if no Default or Event of Default then exists, the interest earnings of any amounts so deposited shall be distributed to the Company, free of trust, at least quarter-annually.

Section 11.02. Withdrawal or Redemption of Outstanding Bonds. Subject to the provisions of Section 11.04, the Company, so long as no Default or Event of Default then exists, may:

(a) withdraw any Trust Moneys deposited with the Trustee pursuant to the provisions of Sections 8.10 (except as otherwise provided in Section 8.10 with respect to amounts not exceeding \$50,000), 8.12, 10.03, 10.04 and 10.04A, to reimburse itself for 100% of Net Bondable Expenditures made by it for Property Additions as evidenced by the Certificate of Net Bondable Expenditures for Property Additions to which reference is hereinafter made; or

(b) cause the Trustee to apply any Trust Moneys withdrawable under (a) above to the payment or redemption of Bonds then Outstanding;

provided, however, that none of such Trust Moneys shall be so withdrawn under clause (a) above later than two years after the date of their deposit with the Trustee.

If the Company shall elect to withdraw Trust Moneys pursuant to clause (a) of this Section, it shall deliver to the Trustee an Order of the Company specifying the amount to be withdrawn and stating that such withdrawal is not prohibited by Section 11.02 or 11.04, and accompanied by a Resolution authorizing such withdrawal and a Certificate of Net Bondable Expenditures, together with, if there be included in such certificate any New Gross Expenditures, the documents required by (i), (ii) and (iii) of subparagraph (4) of Section 4.05. Such Certificate of Net Bondable Expenditures shall be dated as of a date within sixty days of the date of such withdrawal. No such withdrawal shall be made unless the Trustee shall also have received an Officers' Certificate dated as of the date of such withdrawal stating that the amount, if any, shown in Item (12) of said Certificate of Net Bondable Expenditures plus Gross Expenditures for Property Additions since the date of said Certificate exceeds Net Retirements since the date of said certificate and stating that no Default or Event of Default then exists.

If the Company shall elect to cause the Trustee to apply moneys to the redemption of Bonds pursuant to clause (b) of this Section, it shall deliver to the Trustee an Order of the Company stating that such application is not prohibited by Section 11.04 and stating that no Default or Event of Default then exists. Such Order shall be accompanied by a Resolution authorizing such redemption. Such redemption shall be made as provided in Section 11.03.

Section 11.03. Redemption Procedures. As soon as conveniently possible after each election by the Company to apply Trust Moneys to the redemption of Bonds pursuant to clause (b) of Section 11.02 and after each occasion upon which the Trustee shall have on hand \$5,000 or more of moneys referred to in Section 11.02 which have been on deposit with the Trustee more than two years after the date of such deposit, the Trustee shall (i) if Bonds of more than one series are outstanding hereunder and the moneys to be applied are insufficient to redeem all Bonds then Outstanding, apportion such moneys to the redemption of Bonds of each such series, in proportion, as nearly as is practicable, to the ratio which at the time of such apportionment the aggregate principal amount of the Bonds of each series then Outstanding bears to the total principal amount of the Bonds of all series then Outstanding, (ii) fix a date (or dates in case Bonds of more than one series are to be redeemed and are not redeemable on the same date) for the redemption of Bonds, (iii) select the Bonds to be so redeemed as provided in Section 7.02, (iv) notify the Company of the Bonds to be so redeemed and of the date (or dates) of such redemption, and (v) give notice of redemption of such Bonds as provided in Sections 7.03, 7.04 and 7.05. The Company covenants that it will, on or before forty (40) days prior to the date (or each date) so fixed, pay to the Trustee the amount of the charges which will be due it and the amount of expenses which it will incur in connection with such (or each such) redemption, and that the Company will deliver to the Trustee, on or prior to the date (or each date) so fixed for redemption, the excess of the aggregate of the redemption prices of the Bonds to be so called (including interest to date of redemption and premium, if any) over the aggregate of the principal amounts thereof.

Section 11.04. Redemption When Trust Estate is Released. In the event, however, that all or substantially all the fixed properties of the Company which constitute the Trust Estate are released from the lien hereof, then the Trustee shall forthwith by the use, in so far as necessary, of all Trust Moneys deposited with it (other than moneys held for the redemption of Bonds, a notice of the redemption of which has been given) redeem all Bonds then Outstanding, *provided, however,* that if the aggregate of all such Trust Moneys, after the deduction therefrom of any expenses or charges for the payment of which the Trustee will be compelled to resort to such Trust Moneys, will be insufficient to redeem all Bonds then Outstanding, then the Trustee shall, subject to the provisions of Section 8.14, apply said Trust Moneys to the pro rata payment on account of and in proportion to the respective amounts of the principal of, premium, if any, and accrued interest on all Bonds then Outstanding, irrespective of series.

Section 11.05. Redeemed Bonds. No Bonds redeemed under the provisions of this Article shall thereafter be Available Bonds useable as the basis for the issue of Bonds or of any further action or credit under this Indenture, and all such Bonds shall be cancelled.

Section 11.06. Investment of Trust Moneys. Except where otherwise provided in this Indenture, all or any part of any Trust Moneys held by the Trustee hereunder may from time to

time at the written direction of the Company, signed by the President, Vice-President or Treasurer of the Company, be invested or reinvested by the Trustee in any of the following:

- (1) Investments in commercial paper maturing in 270 days or less from the date of issuance which, at the time of acquisition, is accorded the highest rating by S&P or Moody's;
- (2) Investments in United States Governmental Securities; *provided* that such obligations mature within one year from the date of acquisition thereof;
- (3) Investments in certificates of deposit maturing within one year from the date of origin, issued by an Acceptable Bank; or
- (4) any mutual fund or other fund which is operated in the United States which has substantially all of its investments in the Investments described above in clauses (1) or (2) of this Section 11.06.

Such Investments shall be held by the Trustee as a part of the Trust Estate, subject to the same provisions hereof as the cash used by it to purchase such Investments; but upon a like direction of the Company, the Trustee shall sell all or any designated part of the same and the proceeds of such sale shall be held by the Trustee subject to the same provisions hereof as the cash used by it to purchase the Investments so sold. If under the provisions of this Indenture any Trust Moneys held by the Trustee and so invested or reinvested shall be required to be applied to the redemption of Bonds, the Trustee shall forthwith sell such Investments in an amount equivalent to the Trust Moneys so to be applied. In case the net proceeds (exclusive of interest) realized, upon any such sale shall amount to less than the amount invested by the Trustee in the purchase of the Investments so sold (after appropriate adjustment on account of any accrued interest paid at the time of purchase), the Trustee shall within five days after such sale notify the Company in writing thereof and within five days thereafter the Company shall pay to the Trustee the amount of the difference between such purchase price and the amount so realized, and the amount so paid shall be held by the Trustee in like manner and subject to the same conditions as the proceeds realized upon such sale. The Trustee shall not be liable or responsible for any loss resulting from any Investment or reinvestment pursuant to this Section 11.06.

ARTICLE XII

CONSOLIDATIONS, MERGERS AND SALES

Section 12.01. Consolidation, Merger and Sales Permitted on Certain Terms. Nothing in this Indenture contained shall prevent any lawful consolidation or merger of the Company with or into any other corporation, or any conveyance or transfer, subject to the lien of this Indenture, of all, or substantially all, the Mortgaged Property, as an entirety, to any corporation lawfully entitled to acquire and operate the same; *provided, however*, and the Company covenants and agrees, that such consolidation, merger, conveyance or transfer shall be upon such terms as in no respect to impair the lien of this Indenture upon the Mortgaged Property then subject thereto, or any of the rights or powers of the Trustee or the bondholders hereunder; and *provided further*,

that the property of the successor corporation with which the Company shall consolidate or merge or to which all of the Mortgaged Property shall be conveyed as an entirety shall not be subject to any lien (other than Permitted Encumbrances) which after such consolidation, merger or conveyance will be equal or prior to the lien of this Indenture on the property owned by such other corporation and included in its fixed asset account, unless the amount of obligations outstanding under and secured by such equal or prior lien shall not exceed sixty per cent (60%) of the fair value of such property of such other corporation, as evidenced by an Independent Engineer's Certificate filed with the Trustee; or unless there be appropriated Net Bondable Expenditures in an amount equivalent to such excess (such appropriation to be evidenced in the same way as a similar appropriation pursuant to Section 8.07), and unless the Earnings Available for Interest Charges (determined in the manner provided in Section 4.02 hereof for Earnings Available for Interest Charges of the Company and verified by independent certified public accountants), derived from the operation of the property of such other corporation, for a period of twelve (12) consecutive calendar months within fifteen (15) calendar months immediately preceding the date of such consolidation, merger or conveyance, shall have been at least two (2) times the Annual Interest Requirements (determined in the manner provided in Section 4.02 hereof for Annual Interest Requirements of the Company, as verified by such accountants), on all obligations outstanding under and secured by such equal or prior lien at the time of such consolidation, merger or conveyance and on all other obligations of such other corporation for borrowed money, except obligations for the payment or redemption of which the necessary funds shall have been deposited with the trustee under the mortgage creating such equal or prior lien, or with the Trustee hereunder, together with irrevocable instructions to apply such funds to the payment or redemption of such obligations (but subject to any applicable clause in such mortgage providing for the return of any unclaimed moneys to the Company or such other corporation, as the case may be, depositing such funds); and *provided further*, that such successor corporation shall execute and deliver to the Trustee an indenture supplemental hereto and satisfactory to the Trustee which shall provide:

(1) that such successor corporation shall assume the due and punctual payment of the principal of, (and premium, if any) and interest on all the Bonds issued hereunder and the performance and observance of all of the covenants and conditions to be performed or observed by the Company contained in this Indenture; and

(2) a grant, conveyance, transfer and mortgage in terms sufficient to include and subject to the lien of the Indenture; subject only to Permitted Encumbrances, all property (other than Excepted Property) thereafter acquired or constructed by such successor corporation in the territories theretofore served by the Company and all property (other than Excepted Property) forming an integral part of, or essential to the use or operation of, any property subject to the lien of this Indenture at the time of such consolidation, merger, conveyance or transfer, and all property subsequently subjected to the lien of this Indenture as a first mortgage lien thereon, and all betterments, extensions, improvements, additions, renewals and replacements thereof, and all franchises necessary or proper for the operation thereof, the lien thereby created to have the same force, effect and standing as if the Company had itself acquired or constructed such property.

Notwithstanding anything to the contrary contained herein, the successor corporation shall be organized under the laws of the United States or any state thereof or under the laws of Canada or any province thereof.

Section 12.02. Successor Corporation Substituted. The successor corporation thereafter may cause to be signed, issued and delivered, either in its own name or in the name of Unitil Energy Systems, Inc., any or all Bonds issuable hereunder which shall not theretofore have been signed by Unitil Energy Systems, Inc. and authenticated by the Trustee, and upon the order of the successor corporation in lieu of Unitil Energy Systems, Inc., and subject to all the terms, conditions and restrictions in this Indenture prescribed, relating to the authentication and issuance of Bonds, the Trustee shall authenticate and deliver any of such Bonds which shall have been previously signed and delivered by the officers of Unitil Energy Systems, Inc. to the Trustee for authentication, and any of such Bonds which the successor corporation shall thereafter, in accordance with the provisions of this Indenture, cause to be signed and delivered to the Trustee for such purpose; *provided, however*, that no such Additional Bonds may be issued hereunder and no cash shall be withdrawn or property released on the basis of Net Bondable Expenditures for Property Additions, unless (A) thereupon the aggregate indebtedness of such successor corporation secured by liens on any property equal or superior to the lien of this Indenture will not exceed 15% of the aggregate principal amount of all Bonds then Outstanding under this Indenture and (B) such successor corporation (1) shall effectively close each open end mortgage (other than this Indenture) to which any of its property may be subject, and (2) shall by an indenture supplemental hereto to which reference is made in Section 12.01 hereof or by a subsequent indenture supplemental hereto satisfactory to the Trustee similarly executed and delivered which shall provide a grant, conveyance, transfer and mortgage in terms sufficient to include and subject to the lien hereof, subject only to Permitted Encumbrances, (a) with the same force, effect and standing as though this Company had itself acquired the same at the time of the delivery of such supplemental indenture, all property, not theretofore subject to the lien hereof, then owned by such successor corporation (other than Excepted Property), and (b) with the same force, effect and standing as though the Company were itself to construct or acquire such property, all property thereafter acquired or constructed by such successor corporation (other than Excepted Property).

Section 12.03. Opinion of Counsel Required. The Trustee may receive an Opinion of Counsel as conclusive evidence (1) that any such indenture can and does comply with the foregoing conditions and provisions required with respect thereto by Section 12.01 or 12.02, or both, and (2) that such successor corporation has complied with the provisions of Section 12.02 with respect to the closing of open end mortgages.

ARTICLE XIII

DISCHARGE OF INDENTURE

If the Company shall pay or cause to be paid to the holders of the Bonds the principal thereof, including therein the premium thereon, if any, and interest to become due thereon at the times and in the manner stipulated therein and herein, and if the Company shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Indenture

expressed to be kept, performed and observed by it or on its part, then these presents and the estate and rights hereby granted shall (at the option of the Company evidenced by a Resolution delivered to the Trustee) cease, determine and be void, and thereupon the Trustee shall, upon the request of the Company but only after payment of all proper charges and cancellation of all Bonds for the payment of which cash shall not have been deposited in accordance with the provisions of this Indenture, cancel and discharge the lien of this Indenture, and execute and deliver to the Company such deeds or other instruments in writing as shall be requisite to satisfy the lien hereof, and reconvey to the Company the estate and title hereby conveyed, and assign and deliver to the Company any property at the time subject to the lien of this Indenture which may then be in possession of the Trustee, except cash held for the payment of the principal of, premium, if any, or interest on Bonds.

Bonds, for the payment or redemption of which moneys shall have been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds) and been made available for present payment to the holders of such Bonds, shall be deemed to be paid within the meaning of this Section; *provided, however*, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made therefor, or such notice shall have been waived.

ARTICLE XIV

DEFAULT PROVISIONS AND REMEDIES

Section 14.01. Events of Default Defined. Each of the following events is hereby defined as and is declared to be and to constitute an “Event of Default”:

- (a) Default in the payment of any interest on any Bond when the same shall become due and payable and the continuance thereof for a period of ten (10) days; or
- (b) Default in the payment of the principal of (and premium, if any, on) any Bond when the same shall become due and payable whether at the stated maturity thereof, or upon redemption thereof, or by declaration as in Section 14.02 provided; or
- (c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Company in this Indenture or in the Bonds contained, and the continuance thereof for a period of thirty (30) days after written notice to the Company by the Trustee or by the holders of not less than ten per cent (10%) in aggregate principal amount of Bonds then Outstanding; or
- (d) The Company (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a

custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of the Mortgaged Property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(e) A court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of the Mortgaged Property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company, or any such petition shall be filed against the Company and such petition shall not be dismissed within 60 days; or

(f) If under the provisions of any other law now or hereafter existing for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Company or of the whole or any substantial part of the Mortgaged Property, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control.

Section 14.02. Acceleration of Maturity; Rescission and Annulment. Upon the occurrence of an Event of Default the Trustee may, and upon the written request of the holders of twenty-five per cent (25%) in aggregate principal amount of Bonds then Outstanding, shall, by notice in writing delivered to the Company, declare the principal of all Bonds then Outstanding and the interest accrued thereon along with the Make Whole Amount (as hereinafter defined) immediately due and payable, and such principal, interest and Make Whole Amount shall thereupon become and be immediately due and payable; subject, however, to the right of the holders of a majority in aggregate principal amount of Bonds then Outstanding, by written notice to the Company and to the Trustee, to annul such declaration and destroy its effect at any time before any sale hereunder, if, before any such sale, all agreements with respect to which such Event of Default shall have been made shall be fully performed or made good, and all arrears of interest upon all Bonds then Outstanding and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other indebtedness secured hereby, except the principal of any Bonds which have not then attained their stated maturity and interest accrued on such Bonds since the last interest payment date, shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto. The Company acknowledges that each holder of a Bond has the right to maintain its investment in such Bond free from redemption by the Company (except as specifically provided for) and that the provision for the payment of a Make Whole Amount by the Company in the event the Bonds are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Two Business Days prior to the date the payment thereof becomes due and payable the Company shall calculate the Make Whole Amount and deliver to the Trustee and each holder of Bonds an Officers' Certificate specifying the detail of such calculations. The calculations by the Company shall be deemed to be correct unless within ten Business Days after such delivery, the

holders of 25% in aggregate principal amount of the Bonds which are Outstanding immediately prior to the date of the required payment of the Make Whole Amount, shall furnish revised calculations in writing to the Trustee and the Company, which revised calculations shall be deemed to be conclusively correct and any deficiency in the payment of the Make Whole Amount shall be immediately due and payable and if the Company fails to deliver the Officers' Certificate such holders may provide the Make Whole Amount calculation in writing delivered to the Trustee and the Company which calculations shall be deemed to be conclusively correct and such Make Whole Amount shall be immediately due and payable.

For purposes of this Section 14.02, the "*Make Whole Amount*" shall mean the greater of (i) the Outstanding principal amount of the Bonds to be paid, plus interest accrued thereon to the date fixed for such payment, and (ii) the sum of (A) the aggregate present value as of the date of such payment of each dollar of principal being paid (taking into account any payments under a sinking fund, if any) and the amount of interest (exclusive of interest accrued to the date fixed for such payment) that would have been payable in respect of each such dollar if such payment had not been made, determined by discounting such amounts at the Reinvestment Rate (as hereinafter defined) from the respective dates on which they would have been payable to the date of such payment, plus (B) interest accrued on the Bonds to be paid to the date fixed for such payment.

For purposes of any determination of the Make Whole Amount:

"*Reinvestment Rate*" shall mean (1) the sum of 0.50%, *plus* the yield reported on page "USD" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in the United States Government Securities) at 11:00 A.M. (Eastern time) on the second Business Day preceding the date the Make Whole Amount becomes due and payable pursuant to the foregoing provisions of this Section 14.02, for the United States Government Securities having a maturity (rounded to the nearest month) corresponding to the remaining Weighted Average Life to Maturity of the principal of the Bonds being paid (taking into account the application of each payment under a sinking fund, if any) or (2) in the event that no nationally recognized trading screen reporting on-line intraday trading in the United States Government Securities is available, Reinvestment Rate shall mean the sum of 0.50%, *plus* the arithmetic mean of the yields for the two columns under the heading "Week Ending" published as of the second Business Day preceding the date the Make Whole Amount becomes due and payable pursuant to the foregoing provisions of this Section 14.02, in the Statistical Release under the caption "Treasury Constant Maturities" for the maturity (rounded to the nearest month) corresponding to the Weighted Average Life to Maturity of the principal amount of the Bonds being paid (taking into account each payment under a sinking fund, if any). If no maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two published maturities most closely corresponding to such Weighted Average Life to Maturity shall be calculated pursuant to the immediately preceding sentence, and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straightline basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make Whole Amount shall be used.

“Statistical Release” shall mean the then most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded U.S. Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66-2/3% in aggregate principal amount of Bonds then Outstanding.

“Weighted Average Life to Maturity” of the principal amount of the Bonds being paid shall mean, as of the time of any determination thereof, the number of years obtained by dividing the then Remaining Dollar-Years of such principal by the aggregate amount of such principal. The term *“Remaining Dollar-Years”* of such principal shall mean the amount obtained by (i) multiplying (x) the remainder of (1) the amount of principal that would have been payable on each scheduled sinking fund payment date, if any, if the payment pursuant to this Section 14.02 had not been made, less (2) the amount of principal on the Bonds scheduled to become payable on each scheduled sinking fund payment date, if any, after giving effect to the payment pursuant to this Section 14.02, by (y) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination and each such sinking fund payment date, if any, and (ii) totalling the products obtained in (i).

Section 14.03. Interest on Overdue Payments. If Default occurs in payment of principal, premium or interest due hereunder, the Company covenants that it will pay or cause to be paid interest upon overdue principal, premium and interest, to the extent permitted by law, at the greater of (i) six percent (6%) per annum and (ii) the rate specified in the supplemental indenture or the Exhibit to the Indenture creating the series of Bonds in question or, if no such rate is specified therein, then the rate of interest payable on the Bonds of the series in question plus one percent (1%).

Section 14.04. Entry Upon Mortgaged Property. Upon the occurrence of an Event of Default, the Company, upon demand of the Trustee, shall forthwith surrender to the Trustee the actual possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all the Mortgaged Property (with the books, papers and accounts of the Company) and to hold, operate and manage the same, and from time to time make all needful repairs and such extensions, additions and improvements as to it shall seem wise; and to receive the rents, revenues, income, issues and profits thereof, and out of the same to pay, and/or set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the lien of this Indenture which the Trustee may deem it wise to pay, and all expenses of such repairs, extensions, additions and improvements, and to apply the remainder of the moneys so received by the Trustee, subject to the provisions of Section 8.14 hereof with respect to extended, transferred or pledged claims for interest, first to the payment of the installments of interest which are due and unpaid, in the order of their maturity, and next, if the principal of any said Bonds is due, to the payment of the principal and accrued interest thereon pro rata without any preference or priority whatever, except as aforesaid and thereafter the Make Whole Amount. Whenever all that is due upon such Bonds, including installments of interest and under any of the terms of this Indenture shall have been paid and all Defaults made good, the Trustee shall

surrender possession to the Company, its successors or assigns; the same right of entry, however, to exist upon any subsequent Event of Default.

Section 14.05. Power of Sale. Upon the occurrence of an Event of Default, the Trustee, by such officer or agent as it may appoint, with or without entry, may, if at the time such action shall be lawful, sell all the Mortgaged Property, including all right, title, interest, claim and demand of the Company thereto and therein and the right of redemption thereof, as an entirety or in such parcels as the holders of a majority in aggregate principal amount of Bonds then Outstanding shall in writing request, or in the absence of such request, as the Trustee may determine, at public auction, at some convenient place in Boston, Massachusetts, or at such other place or places as may be required by law, having first given notice of such sale by publication in at least one daily newspaper, printed in English and of general circulation in said Boston, at least once a week for four (4) successive weeks next preceding such sale, and any other notice which may be required by law. The Trustee, if permitted by law, may from time to time adjourn such sale or sales in its discretion by announcement at the time and place or times and places fixed for such sale or sales without further notice; and the Trustee is hereby appointed the true and lawful attorney irrevocably of the Company in its name and stead to make, execute, acknowledge and deliver to the purchaser or purchasers at such sale or sales good and sufficient deeds of conveyance or bills of sale of the Mortgaged Property so sold and any sale made as aforesaid shall be a perpetual bar both at law and in equity against the Company and all persons claiming by, through or under it.

Section 14.06. Suits for Enforcement; Remedies. In case of the breach of any of the covenants or conditions of this Indenture, the Trustee shall have the right and power to take appropriate judicial proceedings for the enforcement of its rights and the rights of the bondholders hereunder. Upon the occurrence of an Event of Default, the Trustee may either after entry, or without entry, proceed by suit or suits at law or in equity to enforce payment of the Bonds then Outstanding and to foreclose this Indenture and to sell the Mortgaged Property under the judgment or decree of a court of competent jurisdiction.

If an Event of Default shall have occurred, and if it shall have been requested so to do by the holders of twenty-five per cent (25%) in aggregate principal amount of Bonds outstanding hereunder and shall have been indemnified as provided in Section 15.01 hereof, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred upon it by this Section and by Sections 14.04 and 14.05 as it, being advised by counsel, shall deem most expedient in the interests of the bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee, or to the bondholders, is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Default or Event of Default hereunder, whether by the Trustee or by the bondholders, shall extend to or shall affect any subsequent Default or shall impair any rights or remedies consequent thereon.

The Company may waive any period of grace provided for in this Article.

Section 14.07. Right of Bondholders to Direct Trustee. Anything in this Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the Trustee to exercise any remedy or take any action available to the Trustee hereunder, including directing the method and place of conducting all proceedings to be taken for any sale of the Mortgaged Property, or for the foreclosure of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; *provided* that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 14.08. Receiver. Upon the occurrence of an Event of Default, and upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Mortgaged Property, and of the rents, revenues, income, issues and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer, whether or not the Mortgaged Property shall be deemed sufficient ultimately to satisfy the Bonds outstanding hereunder.

Section 14.09. Bonds Due and Payable Following Sale. Upon any sale being made either under the power of sale hereby given or under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement of this Indenture, the principal of all Bonds then secured hereby, if not previously due, shall become and be immediately due and payable.

Section 14.10. Bondholders Right to Bid at Sale. Upon any sale made either under the power of sale hereby given or under judgment or decree in any judicial proceedings for foreclosure or otherwise for the enforcement of this Indenture, the holder or holders of any Bond or Bonds then Outstanding or the Trustee may bid for and purchase the Mortgaged Property or any part thereof and upon compliance with the terms of sale may hold, retain and possess and dispose of such property in his, their or its own absolute right without further accountability, and any purchasers at any such sale may, in paying the purchase money, turn in any of such Bonds or claims for interest outstanding hereunder in lieu of cash to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon. Said Bonds, in case the amount so payable thereon shall be less than the amount due thereon, shall be returned to the holders thereof after being appropriately stamped to show partial payment.

Section 14.11. Purchaser Not Responsible for Proceeds Application. Upon any sale made either under the power of sale hereby given or under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement of this Indenture, the receipt of the Trustee or of the officer making such sale shall be a sufficient discharge to the purchaser or purchasers at any sale for his or their purchase money and such purchaser or purchasers, his or

their assigns or personal representatives, shall not, after paying such purchase money and receiving such receipt of the Trustee, or of such officer therefor, be obliged to see to the application of such purchase money, or be in any wise answerable for any loss, misapplication or nonapplication thereof.

Section 14.12. Company Divested of Title. Any sale made either under the power of sale hereby given or under judgment or decree in any judicial proceedings for foreclosure or otherwise for the enforcement of this Indenture shall, if and to the extent then permitted by law, operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Company of, in and to the property so sold, including all rights of redemption thereto, and be a perpetual bar both at law and in equity against the Company and against any and all persons, firms or corporations claiming or who may claim the property sold, or any part thereof, from, through or under the Company.

Section 14.13. Application of Moneys by Trustee. The proceeds of any sale made either under the power of sale hereby given or under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement of this Indenture, together with any other amounts of cash which may then be held by the Trustee as part of the Mortgaged Property, shall be applied as follows:

First — To the payment of all taxes, assessments, governmental charges and liens prior to the lien of this Indenture, except those subject to which such sale shall have been made, and of all the costs and expenses of such sale, including reasonable compensation to the Trustee, its agents and attorneys, and of all other sums payable to the Trustee hereunder by reason of any expenses or liabilities incurred or advances made in connection with the management or administration of the trusts hereby created;

Second — To the payment in full of the amounts then due and unpaid for principal, premium and interest upon the Bonds then secured hereby with interest on amounts overdue as provided in Section 14.03 hereof, and in case such proceeds shall be insufficient to pay in full the amounts so due and unpaid, then to the payment thereof ratably, without preference or priority of principal or premium over interest, or of interest over principal or premium, or of any installment of interest over any other installment of interest; subject, however, to the provisions of Section 8.14 hereof;

Third — Any surplus thereof remaining to the Company, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

Section 14.14. Waiver of Appraisalment and Other Laws. In case of an Event of Default on its part, as aforesaid, to the extent that such rights may then lawfully be waived, neither the Company nor any one claiming through or under it shall or will set up, claim, or seek to take advantage of any appraisalment, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent or hinder the enforcement or foreclosure of this Indenture, or the absolute sale of the Mortgaged Property, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser or purchasers thereat, but the Company, for itself and all who may claim through

or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws and all right of appraisement and redemption to which it may be entitled under the laws of The State of New Hampshire or of any other state where any of the Mortgaged Property may be situated. And the Company, for itself and all who may claim through or under it, waives any and all right to have the estates comprised in the security intended to be created hereby marshalled upon any foreclosure of the lien hereof, and agrees that any court having jurisdiction to foreclose such lien may sell the Mortgaged Property as an entirety.

Section 14.15. Payment Event of the Default Suits to Protect Trust Estate. The Company covenants that if an Event of Default shall exist due to the failure of the Company to make a payment of the principal of any Bonds hereby secured when the same shall become payable, whether by the maturity of said Bonds or otherwise, then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the holders of the Bonds then secured hereby, the whole amount due and payable on all such Bonds for principal and premium, if any, and interest, and in case the Company shall fail to pay the same forthwith upon such demand, the Trustee in its own name and as trustee of an express trust, if permitted by law so to do, shall be entitled to sue for and to recover judgment for the whole amount so due and unpaid.

The Trustee, to the extent permitted by law, shall be entitled to sue and recover judgment either before or after or during the pendency of any proceedings for the enforcement of the lien of this Indenture upon the Mortgaged Property, and in case of a sale of any of the Mortgaged Property and of the application of the proceeds of sale to the payment of the debt hereby secured, the Trustee in its own name and as trustee of an express trust shall be entitled to enforce payment of and to receive all amounts then remaining due and unpaid upon any and all Bonds then Outstanding, for the benefit of the holders thereof, and the Trustee shall be entitled to recover judgment for any portion of the debt remaining unpaid, with interest. No recovery of any such judgment by the Trustee and no levy of any execution upon any such judgment upon any of the Mortgaged Property or upon any other property, shall in any manner or to any extent affect the lien of this Indenture upon the Mortgaged Property or any part thereof, or any rights, powers or remedies of the Trustee hereunder, or any lien, rights, powers or remedies of the holders of the said Bonds, but such lien, rights, powers and remedies of the Trustee and of the bondholders shall continue unimpaired as before.

In case of any receivership, insolvency, bankruptcy or other similar proceedings affecting the Company or its property, the Trustee shall be entitled to file and prove a claim for the entire amount due and payable by the Company under this Indenture at the date of the institution of such proceedings and for any additional amount which may become due and payable by the Company hereunder after such date, without regard to or deduction for any amount which may have been or which may thereafter be received, collected or realized by the Trustee from or out of the Mortgaged Property or any part thereof or from or out of the proceeds thereof or any part thereof, but shall not be entitled to consent to any composition or plan of reorganization on behalf of any bondholder unless by him specifically authorized so to do.

Any moneys thus collected or received by the Trustee under this Section shall be applied by it first, to the payment of its expenses, disbursements and compensation and the expenses, disbursements and compensation of its agents and attorneys, and, second, toward payment of the

amounts then due and unpaid upon such Bonds and coupons in respect of which such moneys shall have been collected, ratably and without preference or priority of any kind (subject to the provisions of Section 8.14 hereof with respect to extended, transferred or pledged claims for interest), according to the amounts due and payable upon such Bonds, at the date fixed by the Trustee for the distribution of such moneys, upon presentation of the several Bonds and upon stamping such payment thereon, if partly paid, and upon surrender thereof, if fully paid.

Section 14.16. Trustee May Enforce Claims Without Possession of Bonds. All rights of action (including the right to file proof of claim) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as trustee, without the necessity of joining as plaintiffs or defendants any holders of the Bonds hereby secured, and any recovery of judgment shall be for the equal benefit of the holders of the outstanding Bonds, subject to the provisions of Section 8.14 hereof with respect to extended, transferred or pledged claims for interest.

Section 14.17. Limitation on Bondholder Suits. No holder of any bond shall have any right to institute any suit, action or proceeding in equity or at law for the foreclosure of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or for the enforcement of any other remedy afforded by the Indenture, unless a Default has occurred of which the Trustee has been notified as provided in subparagraph (g) of Section 15.01 hereof, or of which by said subparagraph it is deemed to have notice, and unless also such Default shall have become an Event of Default and the holders of twenty-five per cent (25%) in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and unless also they shall have offered to the Trustee indemnity as provided in Section 15.01 hereof; and such notification, request and offer of indemnity are hereby declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for foreclosure or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds outstanding hereunder. Nothing in this Indenture contained shall, however, affect or impair the right of any bondholder which is absolute and unconditional to enforce the payment of the principal of, premium, if any, and interest on any Bond at and after the maturity thereof or the obligation of the Company which is also absolute and unconditional to pay the principal of and interest on each of the Bonds issued hereunder to the respective holders thereof at the time and place in said Bonds expressed.

Section 14.18. Restoration of Positions. In case the Trustee shall have proceeded to enforce any right under this Indenture by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Company and the Trustee shall be

restored to their former positions and rights hereunder with respect to the mortgaged property, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 14.19. Voluntary Relinquishment of Trust Estate. At any time hereafter before full payment of the Bonds secured hereby, and whenever it shall deem it to be expedient for the better protection or security of such Bonds (although then there shall be no Default or Event of Default entitling the Trustee to exercise the rights and powers conferred by this Article), the Company, with the consent of the Trustee, may surrender and deliver to the Trustee full possession of the whole or of any part of the property, premises and interest hereby conveyed for any period, fixed or indefinite. In such event, the Trustee shall enter into and upon the premises so surrendered and delivered, and shall take and receive possession thereof for such period, fixed or indefinite, as aforesaid, without prejudice, however, to its right, at any time subsequently when entitled thereto by any provision hereof, to insist upon and to maintain such possession, though beyond the expiration of any prescribed period, and the Trustee from the time of entry shall work, maintain, use, manage, control and employ the same in accordance with the provisions of this Indenture, and shall receive and apply the income and revenues thereof as provided in Section 14.04.

ARTICLE XV

THE TRUSTEE

Section 15.01. Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default of which the Trustee shall have knowledge, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise thereof, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this subparagraph (c) shall not be construed to limit the effect of subparagraph (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less

than a majority in principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(4) whether or not an Event of Default shall have occurred, no provision of this Indenture 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 ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 15.02. Certain Rights of the Trustee. Except as otherwise provided in Section 15.01:

(a) The Trustee may execute any of the trusts or powers hereof and perform any duties required of it by or through attorneys, agents, receivers or employees, and shall be entitled to advice of counsel concerning all matters of trusts hereof and its duties hereunder, and may in all cases pay such reasonable compensation as it shall deem proper to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof and the Trustee may act (1) upon the opinion or advice of any attorney, surveyor, engineer or accountant selected by it in the exercise of reasonable care; (2) upon any Opinion of Counsel; or (3) upon any certificate or opinion conforming to the applicable requirements of this Indenture. The Trustee shall not be responsible for any loss or damage resulting from any action or nonaction in accordance with any such opinion, advice or certificate;

(b) The Trustee shall not be responsible for any recital or representation herein, or in said Bonds (except in respect of the certificate of the Trustee endorsed on such Bonds), or for the recording or rerecording, filing or refiling of this Indenture, or of any conveyance or instrument of further assurance, or for insuring the Mortgaged Property, or for the validity of, or of the execution by the Company of, this Indenture or of any conveyance or instrument of further assurance, or for the validity of, or the sufficiency of the security for, the Bonds issued hereunder or intended to be secured hereby, or for the value or title of any of the Mortgaged Property, or for the payment of or for minimizing taxes, charges, assessments or liens upon the same, or otherwise as to the maintenance of the security hereof; except that in the event the Trustee enters into possession of a part or all of the Mortgaged Property pursuant to any provision of this Indenture, it shall use due diligence in preserving the Mortgaged Property; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenant, condition or agreement on the part of the Company, except as hereinafter set forth; but the Trustee may require of the Company full information and advice as to the performance of the covenants, conditions and agreements aforesaid, and of the Company as to the condition of the Mortgaged Property;

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder or of any of the proceeds of such Bonds. The Trustee may become the owner of Bonds secured hereby with the same rights which it would have if not trustee;

(d) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof;

(e) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon an Officers' Certificate as sufficient evidence of the facts therein contained and, prior to the occurrence of a Default of which it has been notified as provided in subparagraph (g) of this Section or of which by said subparagraph it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is or is not necessary or expedient, but may at its discretion, at the reasonable expense of the Company, in every case secure such further evidence as it may think necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a Resolution in the property form, as conclusive evidence that such Resolution has been duly adopted, and is in full force and effect;

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty of the Trustee and the Trustee shall be answerable only for its own negligence or willful default;

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Default or Event of Default hereunder except an Event of Default arising for failure to make payment of principal, premium, if any, or interest or failure by the Company to file the documents required pursuant to Sections 8.08 or 8.09 hereof, unless and until a Responsible Officer shall have actual knowledge thereof or a written notice thereof shall be filed with the Trustee by the Company or by the holders of at least ten per cent (10%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no Default or Event of Default, except as aforesaid;

(h) The Trustee shall not be personally liable for any debts contracted or for damages to persons or to personal property injured or damaged, or for salaries or nonfulfillment of contracts during any period in which it may be in the possession of or managing the mortgaged property as in this Indenture provided;

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect any and all of the Mortgaged Property, including all books, papers and contracts of the Company, and to take such memoranda from and in regard thereto as may be desired;

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises;

(k) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals, or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action if by the Trustee deemed desirable for the purpose of establishing the right of the Company to the authentication of any Bonds, the withdrawal of any cash, the release of any property, or the taking of any other action by the Trustee; and

(l) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the bondholders pursuant to this Indenture, unless such bondholders 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.

Section 15.03. Trustee's Compensation. The Trustee shall have a first lien with right of payment prior to payment on account of interest or principal of any bond issued hereunder upon the Mortgaged Property for reasonable compensation, expenses, outlays and counsel fees incurred by it in and about the execution of the trusts hereby created and the exercise and performance of its powers and duties hereunder and the cost and expense incurred in defending against any liability in the premises of any character whatsoever, unless such liability is adjudicated to have resulted from the negligence or wilful default of the Trustee. The Company hereby covenants and agrees to pay and indemnify the Trustee for all outlays, counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution of the trusts hereby created and to reimburse and indemnify it for any expenses paid and to pay the cost and expense incurred in defending against any liability in the premises of any character whatsoever, unless such liability is adjudicated to have resulted from the negligence or wilful default of the Trustee. The Company agrees to pay the Trustee reasonable compensation for its services in the premises, which compensation shall not be limited to or governed by any provision of law in regard to the compensation of trustees of an express trust.

Section 15.04. Notice of Events of Default. If a Default or Event of Default occurs of which the Trustee is by subparagraph (g) of Section 15.02 required to take notice or if notice of a Default or Event of Default is given as in said subparagraph (g) of Section 15.02 provided, then the Trustee shall give written notice (i) of any such Event of Default or (ii) of any Event of Default if and when any such Default becomes such an Event of Default, by registered mail or

reputable overnight courier to the last known owners of all Bonds Outstanding as shown by the list of bondholders required by the terms of Section 8.13 hereof to be kept at the office of the Trustee.

Section 15.05. Intervention in Judicial Proceedings. In any judicial proceedings to which the Company is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of owners of Bonds issued hereunder, the Trustee may intervene on behalf of the bondholders and shall do so if requested in writing by the owners of at least ten per cent (10%) of the aggregate principal amount of Bonds then Outstanding. The rights and obligations of the Trustee under this Section are subject to the approval of the Court having jurisdiction in the premises.

Section 15.06. Conversion, Merger, Consolidation or Sale of Business of Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, including the trust created hereunder, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which the Trustee is a party, *ipso facto*, shall be and become the successor trustee of the Trustee hereunder without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 15.07. Resignation of Trustee. The Trustee and any successor or successors hereafter appointed, may at any time resign from the trusts hereby created by giving thirty (30) days' written notice to the Company and the owners of the Bonds, and subject to Section 15.09 such resignation shall take effect at the end of such thirty (30) days, or upon the earlier appointment of a successor to such trustee by the bondholders or by the Company. Such notice may be served personally or sent by registered mail. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after giving such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Section 15.08. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee and to the Company, and signed by the owners of a majority in aggregate principal amount of Bonds then Outstanding.

Section 15.09. Resignation and Removal Becoming Effective. 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 under Section 15.11.

Section 15.10. Successor or Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case the Trustee shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor trustee may be appointed by the owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their

attorneys in fact, duly authorized; *provided, nevertheless*, that in case of such vacancy the Company by an instrument executed by order of its Board of Directors, and signed by its President or any Vice-President and attested by its Treasurer or an Assistant Treasurer under its corporate seal, may appoint a temporary trustee to fill such vacancy until a successor trustee shall be appointed by the bondholders in the manner above provided; and any such temporary trustee so appointed by the Company shall immediately and without further act be superseded by the trustee so appointed by such bondholders. Every such successor or temporary trustee shall be a corporation or association in good standing, having a capital and surplus of not less than One Hundred Million Dollars (\$100,000,000), and organized and doing business under the laws of the United States of America or any state hereof and authorized under such laws to exercise corporate trust powers, and, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms. In the event that within one (1) year after the appointment of such temporary trustee by the Company the bondholders do not appoint a successor trustee, the appointment of the temporary trustee by the Company shall be and become final.

Section 15.11. Acceptance of Appointment by Successor. Every successor trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Company an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Company, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder. Should any deed, conveyance or instrument in writing from the Company be required by any successor trustee for more fully and certainly vesting in such successor the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor trustee, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Company. The resignation of any trustee and the instrument or instruments removing any trustee and appointing a successor hereunder, together with all deeds, conveyances and other instruments provided for in this Article shall, at the expense of the Company, be forthwith filed and/or recorded by the successor trustee in each recording office where the Indenture shall have been filed and/or recorded, *provided, however*, that none of said instruments shall be required to be filed and/or recorded in any recording office if, prior to the resignation of such trustee, all property of the Company located in territory served by such recording office shall have been released from the lien of the Indenture, pursuant to the provisions hereof, and a proper release or releases thereof shall have been filed and/or recorded in such recording office.

Section 15.12. Separate Trustee or Co-Trustees. If at any time or times, in order to conform to any laws of any state or territory in which the Company now holds or at any time hereafter may hold any property, the Company or the Trustee shall so request, the Company and the Trustee shall have power to appoint and shall unite in the execution, delivery and performance of all instruments and agreements necessary or proper to constitute another trust company or bank or banking institution, or one or more persons approved by the Trustee, either to act as co-trustee or co-trustees of all or any of the property subject to the lien hereof jointly with the Trustee, or to act as separate trustee or trustees of all such property or any part thereof.

Section 15.13. Payment of Certain Charges. In case the Company shall fail seasonably to pay or to cause to be paid any tax, assessment or governmental or other charge upon any part of the mortgaged property, the Trustee may pay such tax, assessment or governmental charge, without prejudice, however, to any rights of the Trustee or of the bondholders hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon from the date of payment at the Prime Rate plus one percent per annum until paid, shall be repaid by the Company upon demand, and shall become so much additional indebtedness secured by this Indenture, and the same shall be given a preference in payment over any of the Bonds, and shall be paid out of the proceeds of any sale of the Mortgaged Property, if not otherwise paid by the Company; but the Trustee shall not be under any obligation to make any such payment unless requested so to do by the holders of at least ten per cent (10%) of the aggregate principal amount of Bonds outstanding hereunder and provided with adequate indemnity or funds for the purpose of such payment. The “*Prime Rate*” shall mean the rate of interest announced by Fleet National Bank, N.A., or its successor from time to time as its “*prime commercial rate*” or the equivalent.

Section 15.14. Instruments Accepted as Conclusive Evidence. The resolutions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein provided that the Trustee shall examine the same to determine if they conform to the requirements of the Indenture and shall be full warrant, protection and authority to the Trustee for the authentication and delivery of Bonds or the withdrawal of cash hereunder; but the Trustee may, and the Trustee shall if requested in writing so to do by the holders of not less than ten per cent (10%) in aggregate principal amount of Bonds then Outstanding, cause to be made such independent investigation as to it may seem fit and the Trustee may decline to authenticate or deliver such Bonds or pay over such cash unless satisfied by such investigation of the truth and accuracy of the matters so investigated. The expense of such investigation shall be paid by the Company or, if paid by the Trustee, shall be repaid by the Company upon demand with interest, to the extent permitted by law, at the Prime Rate plus one percent per annum until paid.

ARTICLE XVI

ADDITIONAL PROVISIONS

Section 16.01. Immunity of Incorporators, Stockholders, Officers, Directors and Employees. No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in any bond hereby secured, or because of the creation of any indebtedness hereby secured, shall be had against any incorporator, stockholder, officer, director or employee, present or future, of the Company or of any successor corporation, either directly or through the Company, by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any statute or otherwise; it being expressly agreed and understood that this Indenture, and the obligations hereby secured, are solely corporate obligations, and that no personal liability whatever shall attach to or be incurred by such incorporators, stockholders, officers, directors or employees of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness hereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in this Indenture, or in any of the Bonds hereby secured, or

implied therefrom; and that any and all personal liability of every name and nature, and any and all rights and claims against every such incorporator, stockholder, officer, director or employee, whether arising at common law, or in equity, or created by statute or constitution, are hereby expressly released and waived as a condition of, and as a part of the consideration for, the execution of this Indenture and the issue of the Bonds and interest obligations secured hereby.

Section 16.02. Evidence of Action by Bondholders; Proof of Execution. Any request, direction, objection or other instrument required by this Indenture to be signed and executed by the bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such bondholders in person or by agent appointed in writing. Proof of the execution of any such request, direction, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution; and

(b) The fact of the holding by any party of Bonds transferable by delivery and the amounts and numbers of such Bonds, and the date of the holding of the same, may be proved by a certificate executed by any trust company, bank or bankers (wherever situated) stating that at the date thereof the party named therein did exhibit to an officer of such trust company or bank or to such banker, as the property of such party, the Bonds therein mentioned if such certificate shall be deemed by the Trustee to be satisfactory. The ownership of Bonds shall be proved by the bond register.

For all purposes of this Indenture and of any proceedings for the enforcement thereof, such person shall be deemed to continue to be the holder of such Bond until the Trustee shall have received notice in writing to the contrary.

Section 16.03. Exclusive Benefit of Indenture. Nothing expressed or mentioned in or to be implied from this Indenture, or the Bonds issued hereunder, is intended or shall be construed to give to any person or company other than the parties hereto, and the holders of the Bonds secured by this Indenture, any legal or equitable right, remedy or claim under or in respect of this Indenture, or any covenants, conditions and provisions herein contained in this Indenture and all the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the Bonds hereby secured as herein provided.

Section 16.04. Separability of Indenture Provisions. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions or in all cases because it conflicts with any provision of any constitution or statute or rule of public policy, or for any other

reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or paragraphs in this Indenture contained shall not affect the remaining portions of this Indenture or any part thereof.

Section 16.05. Service of Notices to the Company and the Trustee. Any notice or demand that by any provision of this Indenture is required or permitted to be given or served by the Trustee or any bondholder shall be sufficiently given if delivered personally or mailed first-class postage prepaid or by reputable overnight courier as follows: (i) if to the Company, to Unitil Energy Systems, Inc., 6 Liberty Lane West, Hampton, New Hampshire 03842-1720, Attention: Treasurer, or at such other address as the Company may furnish the Trustee in writing and (ii) if to the Trustee, to U.S. Bank National Association, 2 Avenue de Lafayette, Boston, Massachusetts 02111, Attention: Corporate Trust Department, or at such other address as the Trustee may furnish the Company in writing.

Section 16.06. Repayment of Unclaimed Money. In the event that any Bond issued hereunder shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for the redemption thereof and the Company shall have deposited with the Trustee for the purpose, or left with it if previously so deposited, moneys sufficient to pay or redeem such bond, the Trustee shall, upon demand of the Company, in case the holder of any such bond shall not, within six (6) years after the maturity of any such bond or the date fixed for the redemption of any such bond, claim the amount so deposited, pay over to the Company such amount, if the Company if at the time no Default or Event of Default has occurred or is continuing. The Trustee shall thereupon be relieved from all responsibility to the holder thereof and in the event of such payment to the Company the holder of any such Bond shall be deemed to be an unsecured creditor of the Company for an amount equivalent to the amount deposited as above stated for the payment thereof and so paid over to the Company.

Section 16.07. Certificates or Opinions to Trustee. Each certificate or opinion provided for in this Indenture delivered to the Trustee with respect to compliance with a condition or covenant herein contained shall include (1) a statement that the person making such certificate or opinion has read such covenant or condition; (2) 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; (3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not in the opinion of such person such covenant or condition has been complied with.

Section 16.08. Successors and Assigns. Subject to the provisions of Articles XII and XV hereof, whenever in this Indenture any of the parties hereto is named or referred to this shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in this Indenture contained by or on behalf of the Company or by or on behalf of the Trustee

shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

Section 16.09. Counterparts. This Twelfth Supplemental Indenture shall be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 16.10. Effect of Headings and Table of Contents. The cover of this Indenture and all article and descriptive headings and the table of contents are inserted for convenience only, and shall not affect any construction or interpretation hereof.

Section 16.11. New Hampshire Law Applicable. This Indenture and the Bonds shall be governed by and construed in accordance with the laws of The State of New Hampshire.

PART TWO
RESTATEMENT OF TERMS AND PROVISIONS OF
BONDS OF THE MERGER DATE SERIES

ARTICLE I
RESTATEMENT OF TERMS AND PROVISIONS OF SERIES I, 8.49% BONDS

Section 1.01. Terms and Provisions of Series I, 8.49% Bonds. The terms and provisions of the Series I, 8.49% Bonds which were set forth in the Eighth Supplemental Indenture are hereby amended and restated in their entirety in Exhibit C attached hereto, which shall become effective as of the Merger Date and control with respect to all terms and provisions of the Series I, 8.49% Bonds and the Eighth Supplemental Indenture as of the Merger Date shall have no further force or effect with respect thereto.

ARTICLE II
RESTATEMENT OF TERMS AND PROVISIONS OF SERIES J, 6.96% BONDS

Section 1.01. Terms and Provisions of Series J, 6.96% Bonds. The terms and provisions of the Series J, 6.96% Bonds which were set forth in the Ninth Supplemental Indenture are hereby amended and restated in their entirety in Exhibit D attached hereto, which shall become effective as of the Merger Date and control with respect to all terms and provisions of the Series J, 6.96% Bonds and the Ninth Supplemental Indenture as of the Merger Date shall have no further force or effect with respect thereto.

ARTICLE III
RESTATEMENT OF TERMS AND PROVISIONS OF SERIES K, 8.00% BONDS

Section 1.01. Terms and Provisions of Series K, 8.00% Bonds. The terms and provisions of the Series K, 8.00% Bonds which were set forth in the Tenth Supplemental Indenture are hereby amended and restated in their entirety in Exhibit E attached hereto, which shall become effective as of the Merger Date and control with respect to all terms and provisions of the

Series K, 8.00% Bonds and the Tenth Supplemental Indenture as of the Merger Date shall have no further force or effect with respect thereto.

PART THREE
TERMS AND PROVISIONS OF EXCHANGE BONDS

ARTICLE I
TERMS AND PROVISIONS OF SERIES L, 8.49% BONDS

Section 1.01. Terms and Provisions of Series L, 8.49% Bonds. As a result of the Merger, the Exeter Bonds described in clause (iv) of Article III of the Restated Indenture, are being exchanged as of the Merger Date for new Series L, 8.49% Bonds of the Company, the terms and provisions for which are set forth in Exhibit F attached hereto.

ARTICLE II
TERMS AND PROVISIONS OF SERIES M, 6.96% BONDS

Section 1.01. Terms and Provisions of Series M, 6.96% Bonds. As a result of the Merger, the Exeter Bonds described in clause (v) of Article III of the Restated Indenture, are being exchanged as of the Merger Date for new Series M, 6.96% Bonds of the Company, the terms and provisions for which are set forth in Exhibit G attached hereto.

ARTICLE III
TERMS AND PROVISIONS OF SERIES N, 8.00% BONDS

Section 1.01. Terms and Provisions of Series N, 8.00% Bonds. As a result of the Merger, the Exeter Bonds described in clause (vi) of Article III of the Restated Indenture, are being exchanged as of the Merger Date for new Series N, 8.00% Bonds of the Company, the terms and provisions for which are set forth in Exhibit H attached hereto.

IN WITNESS WHEREOF, UNITIL ENERGY SYSTEMS, INC. has caused this instrument to be executed in its corporate name by its President or one of its Vice-Presidents and its corporate seal to be hereunto affixed and to be attested by its Treasurer or one of its Assistant Treasurers, and U.S BANK NATIONAL ASSOCIATION, to evidence its acceptance of the trust hereby created, has caused this instrument to be executed in its corporate name by an Authorized Officer, all as of the day and year first above written.

UNITIL ENERGY SYSTEMS, INC.

By: _____ (CORPORATE
Michael J. Dalton, President SEAL)

Attest:

Mark H. Collin, Treasurer

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Officer

Attest:

Authorized Officer

SCHEDULE A – LIST OF PROPERTIES

PART I – MERRIMACK COUNTY PROPERTIES*

Properties and Transmission Line Easement Rights Located in Towns of Allenstown, Boscawen, Bow, Canterbury, Chichester, Dunbarton, Epsom, Hopkinton, Loudon, Pembroke, Salisbury and Webster, all in Merrimack County, New Hampshire

1. Rights reserved with respect to premises located on Capitol Street in the City of Concord conveyed by the Company to 9-15 Capitol Street Corporation by deed dated December 30, 1980, recorded in Book 1386, Page 199.

2. The substation property situated on the southerly side of Bridge Street in Concord, New Hampshire shown on plan prepared by Richard D. Bartlett entitled “Resubdivision, Boundary & Physical Evidence Survey for Concord Electric Co.” dated October 9, 1979, and recorded as Plan No. 6942, together with rights of passage and other easement rights owned in connection therewith, being the lands and rights acquired by the Company by the following deeds:

<u>NAME OF GRANTOR</u>	<u>DATE OF DEED</u>	<u>RECORDED</u>	
		<u>BOOK</u>	<u>PAGE</u>
John S. Bartlett et als	July 01, 1901	344	98
Eva L. Swain, Guardian	October 27, 1925	478	515
New England Cable Company	January 19, 1937	552	364
Boston and Maine Railroad	July 08, 1937	556	72
Boston and Maine Railroad	June 21, 1949	665	477
Metropolitan Coal Company	July 08, 1937	556	70
The State of New Hampshire	November 20, 1951	703	392
The State of New Hampshire	February 18, 1955	765	140
Tenney Coal Company	February 02, 1940	573	569
Boston and Maine Railroad	January 15, 1942	591	349
The State of New Hampshire	March 21, 1950	677	209
Arthur J. Boutwell	November 11, 1925	478	110
P.F.P. Concord, Inc.	February 18, 1981	1388	280

except (a) that portion of the lands so acquired as lies easterly of the westerly line of the Frederic E. Everett highway as acquired by The State of New Hampshire by layout and award dated

* All conveyances relate to premises located in Merrimack County, New Hampshire and all recording references are to records on file at the Merrimack County Registry of Deeds, Concord, New Hampshire

February 10, 1949, (b) that portion of the premises acquired from Boutwell (Book 478, Page 110) and the Boston and Maine Railroad (Book 591, Page 349) as conveyed by the Company to PFP Concord, Inc. by deed dated February 18, 1981, recorded in Book 1388, Page 283, but subject to a covenant in favor of the Company, and (c) that portion of the premises acquired as conveyed by the Company to John L. Hyde and Charles W. Thompson by deed dated December 28, 1981, recorded in Book 1408, Page 652, subject to the reserved easement rights described therein with respect to the operation, repair and expansion of the said substation.

3. Certain transmission and distribution facilities and easement rights with respect to land located in Concord, New Hampshire formerly part of the so-called Sewalls Falls Hydro Electric Generating Station, as reserved in deed dated December 23, 1969, recorded in Book 1065, Page 370.

4. The Penacook service building property located northerly of East Street in that portion of Concord, New Hampshire, called Penacook and being the property acquired by the Company by deed of Penacook Electric Light Company dated May 31, 1917, recorded in Book 434, Page 263, subject to the dam and flowage rights reserved by The Contoocook Manufacturing and Mechanic Company in its deed dated August 1, 1891, recorded Book 294, Page 474, and to a sewer pipe right of way conveyed by the Company to the City of Concord by deed dated January 17, 1924, recorded in Book 469, Page 22, except Parcel 1 thereof as was conveyed by the Company to David T. Kenney and Pearl A. Kenney by deed dated November 2, 1972, recorded in Book 1152, Page 435.

5. The substation property situated in Concord, New Hampshire, southerly of Pleasant Street, the land for which, together with a right of way to Pleasant Street, was acquired by the Company by deeds of the Carmelite Monastery of Concord dated November 1, 1950, recorded in Book 689, Page 262 and dated September 17, 1957, recorded in Book 819, Page 6, subject to easement rights for a driveway as conveyed by the Company to Carmelite Monastery of Concord by deed dated September 11, 1959, recorded in Book 849, Page 482.

6. The substation property situated in Concord, New Hampshire, bordering on Old Loudon Road, the land for which was acquired by the Company by deed of George J. Bourassa and Winifred Bourassa dated June 8, 1954, recorded in Book 749, Page 499.

7. The substation property situated in Concord, New Hampshire, bordering on Gulf Street, the land for which was acquired by the Company by deeds of Emma L. Welch dated April 23, 1928 and January 13, 1949, recorded in Book 494, Page 419 and in Book 658, Page 190, respectively and by deed of Public Service Company of New Hampshire dated March 22, 1949, recorded in Book 665, Page 454, except (a) portion thereof as was conveyed by the Company to Public Service Company of New Hampshire by deeds dated January 19, 1949, and March 23, 1949, recorded in Book 658, Page 194 and Book 665, Page 450 respectively, (b) portion thereof as was acquired by the City of Concord in the layout of Gulf Street under date of July 27, 1953, and (c) subject to slope easement granted to the State of New Hampshire with respect to highway construction on State-owned property abutting land of the Company in Concord, New Hampshire as conveyed by Corporation Slope Easement deed dated April 3, 1997, recorded in Book 2051,

Page 1883, as corrected by Corrective Slope Easement deed dated July 9, 1997, recorded in Book 2062, Page 865.

8. The substation property situated in Concord, New Hampshire, lying easterly of North State Street, the land for which was acquired by the Company by deed of Thomas Fox dated June 25, 1925, recorded in Book 479, Page 95, together with a right of way leading from said land to North State Street, acquired by said deed from Fox and by the following instruments:

<u>NAME OF GRANTOR</u>	<u>DATE</u>	<u>RECORDED</u>	
		<u>BOOK</u>	<u>PAGE</u>
Elmer W. Olson et als	October 15, 1931	519	320
The State of New Hampshire by Charles B. Clarke, Agent	March 22, 1935	536	412
Elmer W. Olson	October 16, 1931	519	325

subject to a sewer pipe right of way conveyed by the Company to the City of Concord by deed dated February 5, 1930, recorded in Book 519, Page 323.

9. The substation property situated in that portion of Concord, New Hampshire, called Penacook bordering in part on the Daniel Webster Highway, on Penacook Street and on Abbott Road, the land for which and certain rights owned in connection therewith were acquired by the Company under the following deeds:

<u>NAME OF GRANTOR</u>	<u>DATE</u>	<u>RECORDED</u>	
		<u>BOOK</u>	<u>PAGE</u>
First National Bank of Concord	February 29, 1940	566	263
First National Bank of Concord	July 12, 1940	579	230
Public Service Company of New Hampshire	December 16, 1940	583	115
C. M. & A. W. Rolfe, Inc.	October 29, 1941	585	559
Public Service Company of New Hampshire	March 7, 1956	786	322

subject to an electric line right of way owned by Public Service Company of New Hampshire and other rights referred to in said deed recorded in Book 566, Page 263, and except so much of said land as was conveyed by the Company under the following deeds:

<u>NAME OF GRANTEE</u>	<u>DATE</u>	<u>RECORDED</u>	
		<u>BOOK</u>	<u>PAGE</u>
C. M. & A. W. Rolfe	November 1, 1941	585	560
Arthur Brodeur	October 11, 1946	631	252

James F. Freeman and Rose A. Freeman	April 5, 1950	677	251
Asa A. Batchelder and Evelyn M. Batchelder	July 12, 1950	710	294
Celestia A. Loranger	June 29, 1966	986	460
Merrimack Valley School District	March 7, 1967	1002	177 ¹

10. The substation property situated in Concord, New Hampshire on the easterly side of South Main Street, the land for which was acquired by the Company by deed of William E. Sleeper dated August 29, 1950, recorded in Book 686, Page 42, except (a) portion thereof as was conveyed by the Company to The State of New Hampshire by deed dated June 5, 1956, recorded in Book 792, Page 90, (b) portion thereof as was conveyed by the Company to Humble Oil & Refining Company by deed dated July 11, 1972, recorded in Book 1138, Page 229, and (c) portion thereof as was conveyed by the Company to The State of New Hampshire by deed dated November 5, 1987, recorded in Book 1687, Page 108.

11. The regulator station property situated in Canterbury, New Hampshire, bordering on West Road — North, the land for which was acquired by the Company by deed of Ralph Graham et als, dated March 4, 1950, recorded in Book 677, Page 162.

12. A lot of land bordering on High Street in Salisbury, New Hampshire, acquired by the Company by deed of Ralph H. Rogers and Elizabeth Rogers dated May 20, 1953, recorded in Book 731, Page 171.

13. Tract of about 6,500 sq. ft. located on the Dover Road in the Town of Chichester, acquired as site for regulator station by deeds to the Company of following grantors:

Edward Gibbs, Jr. and Blanche J. Gibbs dated November 1, 1958, recorded in Book 833, Page 325, and further deed of same grantors dated November 26, 1958, recorded in Book 836, Page 125.

Try-Gen, Inc. dated April 22, 1959, recorded in Book 844, Page 11, except portion thereof (4,950 sq. ft.) condemned by the State of New Hampshire for highway construction purposes under RSA 498-A:5 of the laws of the State of New Hampshire, said taking by Notice of Condemnation dated August 30, 1991, recorded in Book 1866, Page 1358.

14. Tract of about 130,000 sq. ft. situate on Old Turnpike Road in the City of Concord, acquired as site for future substation, by deed of Concord Regional Development Corporation dated December 30, 1958, recorded in Book 836, Page 544, except portion thereof

¹ Excepting and reserving easement rights with respect to said substation and associated transmission lines. See also Transmission Line Easement conveyed by Utility Easement deed of Merrimack Valley School District to Concord Electric Company, dated March 7, 2001, recorded in Book 2253, Page 003.

(26,476 sq. ft.) as was conveyed by the Company to Concord Regional Development Corporation by deed dated August 2, 1972, recorded in Book 1141, Page 148.

15. Tract of about 3,300 sq. ft. located off North State Street in the City of Concord, as well as all interest of the grantor in the adjoining easterly one-half of the Railroad location, acquired by deed of C. M. Rice Paper Company dated June 1, 1965 recorded in Book 964, Page 189, subject, however, to a sewer easement as conveyed by the Company to the City of Concord, by deed dated December 7, 1965, recorded in Book 977, Page 31.

16. Tract of about 30,000 sq. ft. located on the road from Boscawen to Canterbury in the Town of Boscawen, acquired as site for Boscawen distribution substation, by deed of Edward G. and Marion S. Powell dated September 2, 1960, recorded in Book 870, Page 24, subject to slope easement as conveyed by the Company to the State of New Hampshire with respect to highway construction on State-owned property abutting land of the Company in Concord, New Hampshire, by Corporation Slope Easement deed dated September 6, 1995, recorded in Book 1998, Page 610.

17. Easement rights for a transmission line and access as reserved in deed of the Company to Riverside Millwork Company, Inc. by deed dated March 22, 1982, recorded in Book 1412, Page 409, and shown on plan prepared by Richard D. Bartlett entitled "Boundary Survey Only for Concord Electric Company Location, Merrimack Street, Penacook, New Hampshire" dated September 1, 1981, recorded as Plan No. 7025.

18. Tract of 4.9 acres located near McGuire Street in the City of Concord, acquired as site for Service Center building by deed of Franklin Hollis dated February 28, 1964, recorded in Book 940, Page 403 and related relocation of State of New Hampshire right of way per Indenture between the Company and the State dated December 30, 1964, recorded in Book 954, Page 397.

19. Tract of about 22,500 sq. ft. on Langdon Street in the City of Concord, acquired as site of Langdon Street distribution substation by deed of B. & M. Realty Corporation dated February 5, 1965, recorded in Book 956, Page 72.

20. Tract of about 39,000 sq. ft. located on West Portsmouth Street in the City of Concord, acquired as distribution substation site, by deed of The State of New Hampshire dated November 3, 1966, recorded in Book 997, Page 299.

21. Rights-of-way for 3.2 miles of transmission line between West Concord distribution substation and St. Paul's School as conveyed by following deeds:

RECORDING REFERENCE				
<u>DATE OF DEED</u>	<u>BOOK</u>	<u>PAGE</u>	<u>GRANTOR</u>	<u>LOCATION</u>
Mar. 16, 1959	849	537	St. Paul's School ²	Concord

² This easement released March 11, 1964 in connection with the conveyance of a subsequent easement on that date to the Company by the same grantor, recorded in Book 939, Page 415.

RECORDING REFERENCE				
<u>DATE OF DEED</u>	<u>BOOK</u>	<u>PAGE</u>	<u>GRANTOR</u>	<u>LOCATION</u>
Apr. 06, 1959	842	147	Martin E. & Dorothy M. White	Concord
Feb. 02, 1960	857	344	W. Grant & Thelma H. McIntosh	Concord
Nov. 22, 1960	874	174	Germaine B. & C. Murray Sawyer and Joseph & Elizabeth Jordan	Concord
Nov. 22, 1960	874	172	Germaine B. Sawyer et al	Concord
Dec. 31, 1960	874	449	Daniel J. & Mary V. Scully	Concord
May 01, 1962	899	37	City of Concord	Concord
July 10, 1962	903	81	State of New Hampshire	Concord
Mar. 19, 1963	918	58	Josephine W. & Edgar F. Woodman	Concord
Mar. 11, 1964	939	415	St. Paul's School	Concord
June 18, 1964	945	531	Germaine B. & C. Murray Sawyer	Concord
Dec. 30, 1964	955	24	New England Telephone & Telegraph Co.	Concord
Aug. 27, 1965	968	535	New England Telephone & Telegraph Co.	Concord
June 29, 1962	907	169	New England Box Company	Concord ³

22. Rights-of-way relating to 1.2 miles of transmission line between Penacook distribution substation and tap in Penacook Village in the City of Concord serving Brezner Tanning Corp. as conveyed by following deeds:

RECORDING REFERENCE				
<u>DATE OF DEED</u>	<u>BOOK</u>	<u>PAGE</u>	<u>GRANTOR</u>	<u>LOCATION</u>
Apr. 06, 1959	841	315	Howard E. & Luwilda M. Raymond	Concord
Feb. 01, 1961	876	103	John H., Isabel, David J., and Edwina L. Morrill	Concord
Feb. 01, 1961	876	153	Raymond F. & Thelma P. George	Concord
Jan. 01, 1961	877	71	City of Concord	Concord
June 28, 1962	899	465	John G. & Katherine J. Toomey	Concord

³ The latter conveyance was of the full title to the subject parcel. Tracts II and III thereof were thereafter conveyed by the Company to John Swenson Granite Company, Inc. by deed dated June 29, 1964, recorded in Book 941, Page 542, reserving a transmission line easement to the Company. Tract III thereof was thereafter conveyed by the Company to City of Concord, conveyed to the City of Concord by Deed dated October 19, 1979, recorded in Book 1360, Page 220.

RECORDING REFERENCE				
<u>DATE OF DEED</u>	<u>BOOK</u>	<u>PAGE</u>	<u>GRANTOR</u>	<u>LOCATION</u>
Mar. 07, 1967	1003	203	Merrimack Valley School District ⁴	Concord
Aug. 09, 1967	1016	448	Arthur S. & Florence M. Brodeur	Concord
Aug. 07, 1967	1016	451	Harold L. & Rena M. Bradford	Concord
Aug. 08, 1967	1016	443	Lewis & Barbara C. Kelso	Concord
Oct. 10, 1967	1016	452	Felix & Patronyne Brodeur	Concord
Aug. 08, 1967	1016	447	Olive F. Stevens	Concord
Oct. 03, 1967	1016	446	Robert K. & Virginia D. Scott	Concord

23. Rights-of-way for 2.8 miles of transmission line between Boscawen distribution substation and tap in Penacook Village in the City of Concord serving Brezner Tanning Corp. as conveyed by following deeds:

RECORDING REFERENCE				
<u>DATE OF DEED</u>	<u>BOOK</u>	<u>PAGE</u>	<u>GRANTOR</u>	<u>LOCATION</u>
Sept. 02, 1960	870	26	George A. & Bessie L. Raymond	Boscawen
Sept. 08, 1960	870	83	William T. & Mina C. Jordan	Boscawen
Nov. 19, 1960	872	181	Edgar R. & Beverly Crete	Boscawen
Nov. 21, 1960	872	196	William T. & Mina C. Jordan	Boscawen
Jan. 01, 1961	877	34	Concord Savings Bank	Concord
Jan. 24, 1961	876	165	R. Louis, Elaine G., Arnold R., and Arlene Martin	Boscawen
Jan. 17, 1961	877	28	Arthur N. Runnells and Concord Savings Bank	Concord
Jan. 28, 1961	876	151	Maurice A. & Theodora D. Drolet	Boscawen
May 09, 1961	881	95	State of New Hampshire	Boscawen

24. Rights-of-way for 7.5 miles of transmission line in the Town of Boscawen, acquired by deed of Public Service Company of New Hampshire dated March 11, 1960, recorded in Book 857, Page 513, except for that portion thereof conveyed to the State of New Hampshire by deed of the Company dated April 14, 1961, recorded in Book 881, Page 97.

⁴ Subject to thirty (30) foot right of way and other easement rights as conveyed by the Company to NE Tel. and Tel. Co. by deed dated February 3, 1992, recorded in Book 1876, Page 739.

25. Rights-of-way for .96 miles of transmission line between Concord Plains substation of the Company and Sprague Electric Company plant on Pembroke Road in the City of Concord as conveyed by the following deeds:

RECORDING REFERENCE			<u>GRANTOR</u>	<u>LOCATION</u>
<u>DATE OF DEED</u>	<u>BOOK</u>	<u>PAGE</u>		
July 26, 1960	865	455	Jessie E. Pedearé	Concord
Aug. 22, 1960	865	447	L. J. & Elizabeth G. Denis	Concord
Aug. 26, 1960	866	490	Harold & L. Marie Johnson	Concord ⁵
Aug. 26, 1960	866	489	Louise V. Cherette	Concord
Aug. 26, 1960	866	527	Jennie M. Robbins	Concord
Mar. 29, 1961	876	412	Merrimack Power Company ⁶	Concord
Mar. 30, 1961	876	410	Oscar L. Drew ⁷	Concord

26. Tract of about 16,500 sq. ft. located on the Bow Bog Road in the Town of Bow, acquired as site for Bow distribution substation, by deed of Arthur W. and Laura B. Sargent dated June 2, 1969, recorded in Book 1054, Page 120.

27. Right-of-way for 355 feet of transmission line between Langdon Street substation of the Company and the McKerley Medical Care Center off South Street in the City of Concord, conveyed by deed of Capitol Dodge, Inc. dated June 9, 1971, recorded in Book 1102, Page 77.

28. Tract of about 1.13 acres located on Iron Works Road in the City of Concord, acquired as site for distribution substation, conveyed by deed of the State of New Hampshire, dated October 31, 1973, recorded in Book 1194, Page 87.

29. Tract of about 7 acres located on East Sugar Ball Road in the City of Concord, acquired for 1155 feet of transmission line between Hazen Drive and Hollis substations of the Company conveyed by deed of Francis J. Faucher, dated January 25, 1974, recorded in Book 1201, Page 413, except portion thereof (2.82 acres.) condemned by the State of New Hampshire for highway construction purposes under RSA 498-A:5 of the laws of the State of New Hampshire, said taking by Notice of Condemnation dated August 1, 1977, recorded in Book 1300, Page 714, as amended January 5, 1978, recorded in Book 1312, Page 206.

⁵ See also Right-of-way for approximately 1220 feet of underground transmission facilities along the southerly side of Branch Turnpike in the City of Concord, conveyed to the Company by deed of Johnson Estates, Inc., dated May 28, 1986, recorded in Book 1602, Page 940.

⁶ Deed conveys full title rather than transmission line easement only.

⁷ Deed conveys full title rather than transmission line easement only. Tract of approximately 6.64 acres located northerly of Pembroke Road in the City of Concord, conveyed by the Company to A & G Realty by deed dated November 8, 1985, recorded in Book 1537, Page 259, subject to reserved transmission line rights as described therein.

30. The substation property situated in Concord, New Hampshire on the southerly side of Hazen Drive, the land for which was acquired by the Company by deed of (a) Richard L. and Linda L. Clark dated February 27, 1974, recorded in Book 1203, Page 513 (approximately 13,083 sq. ft.), except portion thereof (5,000 sq. ft.) as was conveyed by the Company to United Church of Christ Retirement Center, Inc. by deed dated June 8, 1978, recorded in Book 1322, Page 570, and (b) United Church of Christ Retirement Community, Inc., dated June 1, 1978, recorded in Book 1322, Page 503 (approximately 8,250 sq. ft.), as corrected by deed dated November 22, 1978, recorded in Book 1336, Page 497, and (c) Stanley H. Prescott dated April 8, 1974, recorded in Book 1206, Page 448 (for access).

31. Tract of about 5.6 acres located on the westerly bank of the Merrimack River in the City of Concord, acquired as the site for transmission line river crossing tower, conveyed by deed of the Estate of Bertha Salvucci dated June 10, 1974, recorded in Book 1216, Page 251.

32. Rights-of-way relating to 3.1 miles of transmission line between Hollis substation of the Company and a tap on the transmission line between Bridge Street and West Portsmouth Street substations of the Company, conveyed by the following deeds:

RECORDING REFERENCE				
<u>DATE OF DEED</u>	<u>BOOK</u>	<u>PAGE</u>	<u>GRANTOR</u>	<u>LOCATION</u>
Mar. 29, 1972	1127	414	State of New Hampshire	Concord
Dec. 07, 1973	1197	248	Christopher H. Edmunds	Concord
Dec. 10, 1973	1197	252	Ernest A. Boulay	Concord
Jan. 11, 1974	1200	91	Christopher H. Edmunds	Concord

33. License to cross land owned by the State of New Hampshire in the City of Concord with a portion of the transmission line between the West Concord and Penacook substations of the Company to serve Weeks-Concord Dairy, Inc., granted by the New Hampshire Public Utilities Commission by its Order No. 11367, dated April 5, 1974, recorded in Book 1236, Page 303.

34. Right-of-way for about 215 feet of transmission line from a tap on the transmission line between the Garvins Falls substation of Public Service Company of New Hampshire and the Bridge Street substation of the Company, acquired to serve Flanders Office Building on Loudon Road east of the Merrimack River in the City of Concord, conveyed by deed of Stanley A. Bartlett and Phyllis M. and G. Alvin Towle, dated February 14, 1975, recorded in Book 1235, Page 450.

35. Right-of-way for about 2000 feet of transmission line in the City of Concord from a tap on the transmission line between the Pleasant Street and West Concord substations of the Company to serve United Life and Accident Insurance Company, conveyed by deed of the City of Concord, dated April 22, 1975, recorded in Book 1241, Page 40.

36. Tract of about 6.39 acres located on Sewalls Falls Road in the City of Concord, acquired as site for bulk power supply step-down station, 115KV to 34.5KV, conveyed by deed of Edward J. Sullivan, dated May 8, 1978, recorded in Book 1321, Page 371.

37. Right-of-way for about 700 feet of transmission line in the City of Concord from a tap on the Company's transmission line between its Terrill Park and Bridge Street substations, acquired as part of the necessary easements to serve the Flanders Office Building, so-called, on Loudon Road in the City of Concord, conveyed by deed of Earl L. and Dorothy J. Flanders, dated February 14, 1975, recorded in Book 1242, Page 214. See also Schedule A, Part II, Item 5 of the Company's Third Supplemental Indenture dated as of July 1, 1975, from which this acquisition was inadvertently omitted.

38. Right-of-way to provide for the relocation of about 843 feet of transmission line in the City of Concord between the Penacook and Boscawen substations of the Company across premises of the Grantor on Merrimack Street in the Village of Penacook, conveyed by quitclaim deed of Riverside Millwork Company, Inc., dated October 14, 1976, recorded in Book 1282 page 1069.

39. Transmission line easement in the City of Concord between the Hazen Drive and Hollis substations of the Company acquired by the Company by deed of United Church of Christ Retirement Center, Inc., dated June 26, 1978, recorded in Book 1323, Page 270.

40. Right-of-way to provide for relocation of about 845 feet of transmission line in the City of Concord between the Gulf Street and Bridge Street substations of the Company across premises acquired by deed of the State of New Hampshire, dated January 17, 1980, recorded in Book 1366, Page 63.

41. Right-of-way for about 520 feet of transmission line in the City of Concord between the Bow Junction and Pleasant Street substations of the Company, conveyed by deed of Concord Union School District, dated September 10, 1981, recorded in Book 1403, Page 29, confirmed by deed dated June 9, 1982, recorded in Book 1417, Page 877.

42. License for about 1.8 miles of transmission line in the City of Concord between the Bow Junction and Pleasant Street substations of the Company excepting those portions of the line which cross (a) the premises with respect to which an easement was conveyed to the Company by Concord Union School District (Item 5 above) and (b) premises of the Company located on Iron Works Road. This license, dated June 30, 1982, was granted by Governor and Council pursuant to Order No. 15,618 of the New Hampshire Public Utilities Commission, recorded in Book 1420, Page 759.

43. Tract of approximately 0.46 acres located on the southerly side of Branch Turnpike in the City of Concord acquired by the Company by deed of A & G Realty, dated November 8, 1985, recorded in Book 1537, Page 263.

44. Leasehold rights with respect to a certain parcel of land located on the southerly side of U.S. Route 4 in Epsom, New Hampshire, for use as a step-down transformer location, a "mobil sub," and any appurtenant equipment necessary or convenient for the operation thereof pursuant to a certain Lease Agreement by and between Dennis Nolin and David Pauliotte (collectively "*Lessor*") and Concord Electric Company ("*Lessee*"), dated June 8, 1988, and

recorded in Book 1731, Page 397, such agreement having a term of five years, and a renewal option for an additional five year term.

45. Leasehold rights with respect to a certain parcel of land located on the southerly side of U.S. Route 4 in Epsom, New Hampshire for use as a step-down transformer location, a “mobil sub,” and any appurtenant equipment necessary or convenient for the operation thereof pursuant to a Lease Agreement between Dennis Nolin and David Pauliotte and Concord Electric Company dated May 28, 1993 and recorded in Book 1917, Page 1853, for a term of five years and a renewal option for an additional five year term.

46. Transmission Line Easement conveyed by Utility Easement deed of Capital Regional Development Council to Concord Electric Company, dated May 27, 1999, recorded in Book 2158, Page 842.

47. Transmission Line Easement conveyed by instrument entitled Addition to Utility Easement granted by Capital Regional Development Council to Concord Electric Company, dated December 21, 2000, recorded in Book 2236, Page 1542.

48. Transmission Line Easement conveyed by Utility Easement deed of Irene C. Bridges to Concord Electric Company, dated February 12, 2001, recorded in Book 2243, Page 601.

49. Transmission Line Easement conveyed by Utility Easement deed of Park Plaza Limited Partnership to Concord Electric Company, dated February 6, 2002, recorded in Book 2361, Page 789.

50. Transmission Line Easement conveyed by Utility Easement deed of Irving Oil Corporation to Concord Electric Company, dated October 17, 2002, recorded in Book 2418, Page 1908.

51. All lines of poles and wires, both transmission and distribution, situated in the City of Concord and the Towns of Allenstown, Boscawen, Bow, Canterbury, Chichester, Dunbarton, Epsom, Hopkinton, Loudon, Pembroke, Salisbury and Webster, all in the County of Merrimack, in The State of New Hampshire, including without limiting the generality of this description, all rights, privileges, easements in the Company’s transmission line running from Garvins Falls, in said Concord, to that section of Concord known as Penacook, with all connections, appliances, appurtenances and apparatus connected therewith, including transformers, services, meters, switches and other devices, with all rights of way, franchises and locations existing in respect thereto, situated in the City of Concord and the towns above mentioned.

SCHEDULE A

PART II – ROCKINGHAM COUNTY PROPERTIES*

Properties and Transmission Line Easement Rights Located in Towns of Exeter, Hampton, Hampton Falls, Seabrook, Stratham, Kingston, East Kingston, South Hampton, Newton, Danville, Plaistow, Atkinson, Kensington, North Hampton, Greenland, Brentwood, Derry, and Hampstead, all in Rockingham County, New Hampshire

1. Rights reserved with respect to premises located on southerly side of South Street in the Exeter conveyed by the Company to John A. Bell, the State of New Hampshire and John W. Flynn, Jr., as tenants in common, by deed dated December 27, 1978 and recorded in Book 2329, Page 1241.

2. The substation property, situated in Exeter, New Hampshire, on the Southerly side of River Street, so-called, and being the same premises acquired by the Company by deed of Fred L. Colcord, dated July 3, 1926, recorded in Book 815, Page 279, and including the right of the Company to erect and maintain a transmission line or lines from the conveyed premises across the Exeter River, so-called, as included in said conveyance.

3. The switching-station property, situated in Exeter, New Hampshire, on the Southerly side of the Exeter River, so-called, and being the same premises acquired by the Company by deed of The Trustees of The Phillips Exeter Academy, dated December 14, 1939, recorded in Book 963, Page 275, together with a right-of-way twelve (12) feet in width extending from Gilman's Lane, so-called, on other property of said Trustees to the conveyed switching station property. Said right-of-way hereinabove referred to was discontinued as of the fifteenth day of March, 1947 and an additional right-of-way in lieu thereof twelve (12) feet in width was conveyed to Exeter & Hampton Electric Company by The Trustees of The Phillips Exeter Academy by deed dated March 15, 1947, recorded in Book 1073, Page 407, as appurtenant to the right and easement to maintain an underground system from said switching-station lot to High Street, so-called, therein conveyed.

4. The substation property, situated in Hampton, New Hampshire, on the Southerly side of Lafayette Avenue, so-called, and being the same premises acquired by the Company under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Sept. 25, 1926	804	123	Simeon A. Shaw	Hampton
Oct. 28, 1935	896	381	Simeon A. Shaw	Hampton

* All conveyances relate to premises located in Rockingham County, New Hampshire, and all recording references are to records on file at the Rockingham County Registry of Deeds, Exeter, New Hampshire.

Said premises are conveyed subject to the rights of The State of New Hampshire and/or the Town of Hampton, to construct and maintain an approach to the overhead bridge maintained across property of the Boston & Maine Railroad, along and over the Westerly side of the conveyed property.

5. The substation property, situated in Hampton, New Hampshire, on the Glade Path, so-called, and being the same premises acquired by the Company by deed of Hampton Beach Improvement Company, dated November 8, 1926, recorded in Book 831, Page 13.

6. The substation property, situated in Hampton, New Hampshire, on the Guinea Road West, so-called, and being the same premises acquired by the Company by deed of Clarence T. Brown, dated August 17, 1926, recorded in Book 804, Page 43.

7. The substation property, situated in Kingston, New Hampshire, and being the same premises acquired by the Company by deed of John W. Trow, dated May 28, 1937, recorded in Book 931, Page 157, except that portion of the premises acquired (approximately 1350 square feet) as conveyed by the Company to Edward B. Holt and Helen J. Holt by deed, dated January 26, 1988, recorded in Book 2727, Page 1232, subject to transmission easement rights reserved therein.

The above described property is conveyed subject to a right to erect, maintain and operate a transmission line or lines as acquired by Rockingham County Light and Power Company under deed of Mary J. Crosby, dated May 18, 1904, recorded in Book 601, Page 389, which right is now owned and operated by New Hampshire Electric Company, and more specifically described as the right to maintain a transmission line consisting of poles, wires and all necessary appurtenances, together with a right to keep clear of all growth detrimental to the proper operation of said line, a space of one rod on either side of the center line thereof.

8. The substation property situated on Glade Path in Hampton, New Hampshire, in that section known as Hampton Beach acquired by the Company by deed of Hampton Beach Improvement Company, dated February 21, 1949, recorded in Book 1124, Page 37.

9. The substation property situated in Plaistow, New Hampshire, on the Easterly side of Witch Lane, so-called, acquired by the Company by deed of Roger B. Hill, dated August 16, 1951, recorded in Book 1219, Page 63, except (a) those portions of the premises acquired as conveyed by the Company to the Town of Plaistow by deeds, dated June 27, 1977, recorded in Book 2287, Page 172 and Book 2287, Page 173, (b) that portion of the premises acquired as conveyed by the Company to the Dart Container Corporation by deed dated June 27, 1977, recorded in Book 2293, Page 1350, and (c) easement as conveyed by the Company to New England Telephone and Telegraph Company by deed, dated June 25, 1979 recorded in Book 2341, Page 1050.

10. The distribution lines, property, rights and franchises formerly owned by Plaistow Electric Light & Power Company, situate principally in the Towns of Plaistow and Atkinson, both in New Hampshire, as acquired by the Company by deed of Plaistow Electric Light & Power Company, dated September 30, 1926, recorded in Book 816, Page 470.

11. A license to construct and maintain a line of transmission wires and poles over and across public waters in the Towns of Hampton and Hampton Falls, New Hampshire, as shown by Petition D-E3308, Exeter & Hampton Electric Company to New Hampshire Public Utilities Commission, Vol. XXXVI, Page 89.

12. A license to construct and maintain a line of transmission wires and poles over and across lands of the Legatees under the Will of Moses Eaton, in the Town of Seabrook New Hampshire, as shown by Petition D-E3327, Exeter & Hampton Electric Company to New Hampshire Public Utilities Commission, Vol. XXXVI, Page 189, and further recorded with Rockingham County Registry of Deeds, Book 1323, Page 228.

13. A tract of land, including without limitation the Service Building located thereon, situated in Kensington, New Hampshire, on the Drinkwater Road, so-called, acquired by the Company by deed of John W. York, dated June 14, 1954, recorded in Book 1319, Page 33, subject to the reservation of the said John W. York to the use of a right-of-way approximately fifteen (15) feet in width extending from said Drinkwater Road to other land of said John W. York, lying Easterly of the land therein conveyed, for men, teams, vehicles, and for all necessary and desirable purposes, subject, however, to the understanding and agreement that said right-of-way shall not be fenced or made subject to gates and bars, that the said John W. York shall assume all expenses of maintenance thereof, and that said Company, its successors or assigns, shall have full and unimpeded rights of using said right of way whenever necessary or desirable, except that portion of the premises acquired as conveyed by the Company to Arthur H. Chapman and Marion J. Chapman by deed dated December 26, 1968, recorded in Book 1955, Page 91.

14. A tract of land situated in Seabrook, New Hampshire, acquired by the Company by deed of Charles Fogg Janvrin, dated May 21, 1954, recorded in Book 1316, Page 425.

15. The East Kingston distribution substation located on the northerly side of the East Kingston Road with a capacity of 1,500 KVA and consisting of a transformer, switching facilities and associated apparatus, together with a connection to the Kingston transmission line, constructed on a tract of land acquired by the Company under a deed of Robert H. and Marjorie E. Andersen, dated January 28, 1957, recorded in Book 1422, Page 215.

16. 3.4 miles of transmission line rights-of-way, including without limitation, transmission and distribution wires and poles located thereon, situated in Stratham, New Hampshire, acquired by the Company under the following deeds:

RECORDING REFERENCE				
<u>DATE OF DEED</u>	<u>BOOK</u>	<u>PAGE</u>	<u>GRANTOR</u>	<u>LOCATION</u>
Dec. 22, 1951	1307	351	Mary E, Summerfield	Stratham
Nov. 12, 2002	TBR	TBR	Cabernet Builders of Stratham, L.L.C.	Stratham
	1315	496	Carrie J. Rollins	Stratham
May 14, 1954	1315	360	Earle L. Stockbridge, Executor of the Will of Florence E. Rollins	Stratham

Oct. 26, 2002	TBR*	TBR*	Thornhill Condominium Association	Stratham
May 22, 1985	2545	2989	Walter Biery	Stratham
_____, 2002	TBR*	TBR*	Rollins Hill Development, L.L.C.	Stratham
Mar. 17, 1987	2674	665	Christine A.Eldridge	Stratham
Dec. 18, 1986	2650	521	Winifred and Louise Pazzanese	Stratham
_____, 2002			Winifred M. Pazzanese	Stratham
Dec. 18, 1986	2674	662	Charlan Chapman	Stratham
Nov. 21, 1986	2644	1473	Daniel A. Daudelin	Stratham
Nov. 30, 1982	2442	109	Virginia Holmgren and Lucy Perry	Stratham
May 08, 1978	232	951	Lucy Perry	Stratham
May 04, 2001	3577	1449	Parkman Brook Development, LLC	Stratham
Jan. 24, 2002	3713	990	Parkman Brook Development, LLC (corrective deed)	Stratham
Nov. 1, 2002	TBR*	TBR*	Cameron Sewall, Trustee of the Cameron Sewall 1987 Trust; and Joan M. Sewall, Trustee of the Joan M. Sewall 1987 Trust	Stratham
Feb. 26, 2002	3770	2311	Joseph Falzone as Trustee of Bunker Hill Realty Trust	Stratham
Dec. 24, 1950	1194	457	H. Roby and Nellie M. Jewell	Stratham
Nov. 15, 2002	TBR*	TBR*	William A. Woods	Stratham
_____, 2002	TBR*	TBR*	Public Service Company of New Hampshire	Stratham
Dec. 1950	1194	454	Nelson E. and Levi H. Barker	Stratham
Oct. 23, 1963	PUC Order, in Condemnation		Archibald & Lucille Harding	Hampton Falls
May 06, 1963	1669	194	Russell P. Merrill Sr. & Jr.	Hampton Falls

*TBR = To be recorded

17. A right-of-way for purposes of transmission and distribution lines, situated in Hampton, New Hampshire, acquired by the Company by deed of Henry V. Dupuis, dated July 21, 1955, recorded in Book 1362, Page 81.

18. A tract of land for purposes of transmission and distribution lines, situated in Hampton, New Hampshire, acquired by the Company by deed of Richard J. Oosting and Olive B. Oosting, dated May 27, 1955, recorded in Book 1355, Page 476.

19. The 33 KV Kingston transmission line 11.8 miles in length consisting of rights of way with poles, wires and apparatus erected thereon running from a point near the Company's Guinea Road switching station in Hampton, New Hampshire, through the Towns of Hampton, Hampton Falls, Kensington, East Kingston and Kingston, New Hampshire, to a distribution substation at West Kingston Road in Kingston, acquired by the Company under the following deeds:

Deed of the New Hampshire Electric Company, dated December 31, 1955, recorded in Book 1383, Page 102;

Deed of Horace B. Philbrick, dated November 27, 1957, recorded in Book 1453, Page 111;

together with a tie between said transmission line and the Guinea Road station constructed upon rights of way theretofore owned by the Company.

Rights-of-way to widen the 11.8 miles of 33 KV Kingston transmission line to 100 feet to provide for a second circuit in the future from the Company's Guinea Road Switching Station in Hampton, New Hampshire, through the towns of Hampton, Hampton Falls, Kensington, East Kingston and Kingston, New Hampshire, to a distribution substation at West Kingston Road, Kingston, acquired by the Company under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Jan. 11, 1961	1574	72	Edward B. & Helen J. Holt	Kingston
Dec. 07, 1960	1571	40	Thomas D. & Jean M. Spinella	Kingston
Nov. 24, 1961	1609	95	Chas. W. & Clinton W. Senter	Kingston
Jan. 14, 1961	1574	70	Warren W. & Marjorie N. George	Kingston
Jan. 28, 1961	1574	584	Arthur E. Alton	Kingston
Dec. 17, 1960	1571	43	John A. & Anna W. Greene	Kingston
Jan. 05, 1962	1613	331	Amanda C. Goodwin et alii	Kingston
Sept. 23, 1961	1600	341	Sarkis Bannaian	Kingston
Jan. 23, 1962	1614	403	George E. & Edith Arnold	Kingston
Jan. 10, 1962	1613	329	John E. & Gardner Ladd	Kingston
Jan. 10, 1962	1613	324	E. M. Bowley & J. B. Dutton	Kingston
Jan. 14, 1961	1574	82	Frieda M. & Walter R. Modlich	Kingston
Jan. 11, 1961	1574	75	Kenneth & Gladys F. Hoyt	Kingston
Apr. 01, 1961	1579	84	Beverly S. & Mary S. Chamberlain	Kingston
Apr. 01, 1961	1579	87	Beverly S. & Mary S. Chamberlain	East Kingston
Jan. 11, 1961	1574	55	Arnold L. & A. Elvena Belcher	East Kingston
Jan. 11, 1961	1574	84	Lucy A. Sprague	East Kingston
Nov. 25, 1961	1609	103	Frederick P. & Dorothy H. Montrose	East Kingston

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Jan. 28, 1961	1574	587	Archie D. & Ellen B. Osmond	East Kingston
Nov. 25, 1961	1609	100	Frederick P. & Dorothy H. Montrose	East Kingston
Dec. 17, 1960	1571	227	George E. & Lillian A. Henshaw	East Kingston
Jan. 11, 1961	1574	62	Henry H. & Emily H. Clark	East Kingston
Jan. 23, 1962	1614	405	Harold P. Nason	Kingston
Nov. 25, 1961	1609	98	Arlan T. & Jacqueline W. Clements	Kingston
Jan. 27, 1962	1615	299	Nellie R. Shattuck	Kingston
Mar. 22, 1962	1620	368	John J. Bakie	Kingston
Apr. 26, 1961	1580	546	John W. & Nora M. Tuthill (Lot)	Kingston
Jan. 14, 1961	1574	79	G. Austin & Donald A. Kemp	East Kingston
Dec. 17, 1960	1571	35	J. Edward & Annie L. Stevens	East Kingston
Dec. 17, 1960	1571	38	J. Edward & Annie L. Stevens	East Kingston
Jan. 12, 1962	1613	326	John W. & Jessie E. York	East Kingston
Apr. 15, 1961	1580	539	Wendell E. & Doris M. Sweetser	East Kingston
Apr. 15, 1961	1580	535	Wendell E. & Doris M. Sweetser	East Kingston
Oct. 18, 1961	1603	360	Richard E. Sargent	East Kingston
Jan. 31, 1961	1574	581	Paul W. & Marian C. Kimball	Kensington
Jan. 14, 1961	1574	60	Parker M. Blodgett	Kensington
Apr. 29, 1961	1581	224	Margaret M. Alger	Kensington
Apr. 26, 1961	1580	542	John W. & Nora M. Tuthill	Kensington
Jan. 11, 1961	1574	57	Elmer C. & Bernice E. Brewer	Kensington
Sept. 09, 1961	1599	294	Horace B. Philbrick	Kensington
Dec. 24, 1962	1656	258	Louis E. & Merida Daigneault	Kensington
May 10, 1961	1582	156	David C. & Joan T. Engel	Kensington & Hampton Falls
Sept. 9, 1961	1599	287	John P. & Nancy P. Hall	Hampton Falls
Sept. 15, 1961	1600	338	Chas. F. & Lucille C. Savage	Hampton Falls
Mar. 30, 1961	1579	92	Earl G. & Katherine P. Warfield	Hampton Falls
Mar. 30, 1961	1579	90	Agnes R. Knight	Hampton Falls
May 01, 1961	1599	290	Stanley A. Hamel	Hampton Falls
Sept. 01, 1961	1599	292	Homer A. Johnson	Hampton
Dec. 29, 1962	1656	263	Wilbert M. & Jennie A. Swett	Kingston
Dec. 29, 1962	1656	256	Helen D. Ball ¹	Kingston
Dec. 29, 1962	1656	261	Arthur H. Penniman ²	Kingston

22. Additional rights-of-way to widen the 11.8 miles of 34 KV Kingston transmission line to 100 feet to provide for a second circuit in the future from the Company's Guinea Road Switching Station in Hampton, New Hampshire, through the towns of Hampton, Hampton Falls,

¹ Except portion thereof released by deed from the Company to Helen D. Ball dated January 3, 1963, recorded in Book 1656, Page 266.

² Except portion thereof released by deed from the Company to Arthur H. Penniman dated January 3, 1963, recorded in Book 1656, Page 265.

Kensington, East Kingston and Kingston, New Hampshire, to a distribution substation at West Kingston Road, Kingston, acquired by the Company under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Dec. 6, 1966	1847	103	William F. Tucker, Jr.	Kingston
May 19, 1966	1821	554	Lyman B. Pope	Kingston
May 13, 1966	1823	490	Ethel Milbury	Kingston
June 07, 1966	1823	147	Cleveland Webster and Robert Kuegel	Kensington
Jan. 02, 1965	1751	095	Heirs of I. Webster	Kingston
Sept. 14, 1964	1739	001	Joseph Noble	Hampton Falls
Nov. 13, 1965	1796	450	Elizabeth Kudaruska and Benjamin Checkoway	Hampton and Hampton Falls
July 24 1967	1869	494	Edward & Helen Holt	Kingston
Mar. 25, 1965	1761	026	Augustine & George Hurley	Kingston
Feb. 28, 1967	1857	012	State of New Hampshire	Kingston
Mar. 18, 1966	1862	377	Jenney Mfg. Co.	Kingston
May 17, 1966	1823	104	Unknown Owners - Gerald Giles G/A/L	Kingston and Kensington
Oct. 19, 1964	1738	498	Ruth Simes	Kingston
May 17, 1966	1823	167	Nathan Battles	Kingston
May 17, 1966	1823	126	Robert & Marjorie Anderson	East Kingston
Nov. 3, 1965	1796	456	Cora Colby	Kensington
Sept. 21, 1964	1739	005	John & Nora Tuthill (Lot)	Kensington
May 17, 1966	1823	187	Abbie Simes	Kingston

23. 2.5 miles of transmission line rights-of-way running from a tap in Hampton Falls, on the Hampton to Exeter transmission line to the Sylvania Electric Products, Inc., plant on Portsmouth Avenue, Exeter, acquired by the Company under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
June 26, 1963	1676	423	Irene A. Barker	Exeter
May 17, 1963	1672	235	Amede & Florence Baillargeon	Exeter
July 16, 1963	1679	497	Henry & Cecilia D. Saltonstall	Exeter
May 18, 1963	1672	233	Ralph V. & Alice E. Amsden	Exeter
July 10, 1963	1679	5	Edward & Elsa Rogalski	Exeter & Stratham
P.U.C. Order, October 23, 1963, in Condemnation			Archibald & Lucille Harding	Hampton Falls
May 06, 1963	1669	194	Russell P. Merrill Sr. & Jr.	Hampton Falls

24. 1.9 miles of transmission line rights-of-way running from the Exeter Substation on River Street to Drinkwater Road, Exeter, New Hampshire, acquired by the Company under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Mar. 17, 1960	1539	488	Trustees of the P. E. A.	Exeter
Feb. 24, 1960	1537	470	John F. Sanborn	Exeter

25. Rights-of-way at Hampton for moving transmission lines to allow for the construction of New Hampshire Route 101-C, acquired by the Company under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Mar. 11, 1960	1539	116	Town of Hampton	Hampton
Feb. 23, 1960	1537	446	Jessie M. Toppan	Hampton
Feb. 23, 1960	1537	449	Walter H. Purington	Hampton

26. Rights reserved with respect to premises located on southerly side of South Street in the Exeter conveyed by the Company to John A. Bell, the State of New Hampshire and John W. Flynn, Jr., as tenants in common, by deed dated December 27, 1978, recorded in Book 2329, Page 1241.

27. 1.5 miles of transmission line rights-of-way from a tap in Exeter on the transmission line to Sylvania Electric Products, Inc. and running westerly in Exeter and Stratham and including a substation lot, acquired by the Company under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Oct. 08, 1965	1793	091	Sylvania Electric Products, Inc.	Exeter
Feb. 21, 1966	1851	452	Paul Molloy	Exeter
Oct. 09, 1965	1792	093	Harold & Vera Haley (Lot)	Exeter and Stratham ³
Feb. 03, 1966	1809	253	Callahan Realty Corp.	Stratham
Feb. 08, 1966	1809	250	Lionell Labonte	Stratham
Feb. 04, 1966	1811	450	Julia Scammon	Stratham
Mar. 08, 1966	1853	382	Edward Laviolette	Stratham
Oct. 09, 1965	1792	094	Harold & Vera Haley	Stratham

28. Lot of land adjacent to substation lot on River Street, Exeter, acquired by the Company by deed of Lena Bondi, dated September 27, 1965, recorded in Book 1789, Page 180.

29. Distribution substation lot and 400 feet of distribution rights-of-way on easterly side of Route 125 in Plaistow, acquired by the Company by deed of Old County Court Inc., dated May 15, 1965, recorded in Book 1774, Page 407.

³ Except that portion of the premises acquired as conveyed by the Company to the State of New Hampshire by deed dated July 29, 1997, recorded in Book 3233, Page 195, subject to reserved rights as stated therein.

30. 7 miles of transmission line rights-of-way running from Plaistow substation to the plant of Process Engineering, Inc. in Plaistow, acquired by the Company under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Nov. 26, 1966	1845	088	Myron & Mary Sorenson (Lot)	Plaistow
Aug. 03, 1966	1831	119	Gordon A. Cheney	Plaistow
Oct. 25, 1966	1842	097	Donald & Marilyn Senter	Plaistow
Oct. 27, 1966	1841	567	Process Engineering, Inc.	Plaistow
July 14, 1966	1829	435	Nettie Bell Hill	Plaistow
Nov. 21, 1966	1844	510	Nicholas & Grace Kay	Plaistow

31. Transmission line rights-of-way in the Town of Seabrook, acquired by the Company under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Apr. 13, 1964	1711	340	Town of Seabrook	Seabrook
Apr. 07, 1964	1711	454	John D. Fogg	Seabrook

32. 1.1 miles of transmission line rights-of-way running through the Bailey Company property to a distribution substation site on Cemetery Lane in Seabrook, acquired by the Company under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
June 08, 1967	1866	016	Melvin & Helen S. Morgan	Seabrook
May 22, 1967	1861	463	Bailey Company ⁴	Seabrook
Mar. 28, 1967	1857	009	Richard & Alice Holloway	Seabrook
June 08, 1967	1863	412	K. J. Quinn Company	Seabrook
Sept. 15, 1967	1877	412	John W. Durgin, Jr. (Lot)	Seabrook
Sept. 15, 1967	1877	413	John W. Durgin, Jr.	Seabrook

33. 5.2 miles of transmission line rights-of-way running from a point on the Guinea Road to Hampton transmission line in town of Hampton. Running through the towns of Hampton, Hampton Falls, South Hampton and Seabrook, acquired by the Company under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Feb. 02, 1966	1810	016	Public Service Company of N.H. (Lot)	Hampton
Feb. 02, 1966	1810	011	Public Service Company of N.H.	Hampton, Hampton Falls, South Hampton and Seabrook ⁵

⁴ Possibly subject to condemnation by Public Service Company of New Hampshire for Seabrook Station, said taking by Petition for Condemnation filed with New Hampshire Public Utilities Commission on April 9, 1974, said Petition and Order thereon, recorded in Book 2220, Page 1659

34. Distribution rights-of-way located in various towns as indicated, acquired by the Company under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Feb. 18, 1964	1706	360	Irving E. & Anna E. Peaslee	Plaistow
Dec. 15, 1964	1748	003	Paul W. Hobbs & James A. Bricket Trs.	Hampton
May 26, 1967	1862	379	Town of Hampton	Hampton
June 29, 1965	1774	004	Bernice K. Davis	Danville
June 29, 1965	1774	006	Alden & Francis Colby	Danville

35. Easements to widen portions of 5.2 miles of transmission line right-of-way from a point on the Guinea Road to Hampton transmission line, in Hampton, through Hampton Falls and Seabrook, and acquired by the Company under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Mar. 31, 1971	2062	081	Edwin L. Batchelder, Jr.	Hampton
Apr. 21, 1971	2066	040	Flora B. Hurd	Hampton
Apr. 07, 1971	2066	037	Ernest N. & Rose V. Brown	Hampton Falls
Mar. 17, 1971	2079	291	Applecrest Farm Orchards, Inc.	Hampton Falls
July 06, 1971	2080	203	Francis J. & Anne M. Ferreira	Hampton Falls
Mar. 20, 1971	2062	092	Anthony & Sandra E. Smoker	Hampton Falls
Mar. 31, 1971	2062	086	Raymond F. & Diane LaLime	Hampton Falls
Mar. 20, 1971	2062	083	Howard L. & Betty J. Janvrin	Hampton Falls
Mar. 20, 1971	2066	034	Daniel E. Dow	Hampton Falls
Mar. 20, 1971	2062	095	Arthur G. & Frances Dupuis	Hampton Falls
Mar. 20, 1971	2062	089	George W. & Drucilla H. Lonergan	Hampton Falls
June 16, 1971	2076	402	Helen Evans Woodworth	Hampton Falls
June 15, 1971	2076	400	Walter & Edna Combs	Hampton Falls

⁵ Except (a) that portion of the premises acquired as conveyed by the Company to Ray W. Coombs by deed dated January 31, 1969, recorded in Book 1955, Page 93, (b) that portion of the premises acquired as conveyed by the Company to Howard L. Janvrin, Jr. and Betty J. Janvrin by deed dated April 5, 1971, recorded in Book 2062, Page 85, in exchange for other rights acquired by the Company, (c) that portion of the premises acquired as conveyed by the Company to Raymond F. Lalime and Diane Lalime by deed dated April 5, 1971, recorded in Book 2062, Page 88, in exchange for other rights acquired by the Company, (d) that portion of the premises acquired as conveyed by the Company to George W. Lonergan and Drucilla H. Lonergan by deed dated April 5, 1971, recorded in Book 2062, Page 91, in exchange for other rights acquired by the Company, (e) that portion of the premises acquired as conveyed by the Company to Anthony Smoker and Sandra E. Smoker by deed dated April 5, 1971, recorded in Book 2062, Page 94, in exchange for other rights acquired by the Company, (f) that portion of the premises acquired as conveyed by the Company to Arthur G. Dupuis and Frances M. Dupuis by deed dated April 5, 1971, recorded in Book 2062, Page 97, in exchange for other rights acquired by the Company, (g) that portion of the premises acquired as conveyed by the Company to Daniel E. Dow by deed dated April 5, 1971, recorded in Book 2062, Page 98, in exchange for other rights acquired by the Company, (h) that portion of the premises acquired as conveyed by the Company to Richard S. Robie by deed dated May 12, 1971, recorded in Book 2071, Page 350, in exchange for other rights acquired by the Company, and (i) that portion of the premises acquired as conveyed by the Company to Applecrest Farm Orchards, Inc. by deed dated September 14, 1971, recorded in Book 3061, Page 006, in exchange for other rights acquired by the Company. See Paragraph Error! Reference source not found., below.

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
May 12, 1971	2068	146	Richard S. Robie	Hampton Falls
Sept. 01, 1970	2032	272	Lloyd Graves	Hampton
Sept. 03, 1968	1928	164	John W. Durgin, Jr.	Seabrook

36. 2.1 miles of transmission line right-of-way running from a point on the Hampton to Hampton Beach transmission line to a substation on High Street, in Hampton, acquired under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Feb. 09, 1968	1897	348	Bruce M. Fall & Ruth V. Aquizap	Hampton
Apr. 17, 1970	2011	252	Mary Ruth Perkins	Hampton
May 26, 1970	2016	464	Byron Redman	Hampton
May 26, 1970	2016	466	Donald Northway	Hampton
Apr. 17, 1970	2011	260	Vrylma Olney	Hampton ⁶
Jan. 04, 1971	2050	141	Marion Garland	Hampton ⁷
Feb. 10, 1970	2004	014	Moses Brown	Hampton ⁸
May 08, 1970	2014	169	John W. Durgin, Jr. (Lot)	Hampton
Apr. 17, 1970	2011	258	Robert Mace	Hampton
Apr. 17, 1970	2011	265	Robert Mace	Hampton
Mar. 10, 1970	2006	368	Flora & Gary Hurd	Hampton
Oct. 29, 1969	1991	418	Homer A. Johnson	Hampton
Oct. 29, 1969	1991	420	Arthur & Florence Lamprey	Hampton
Aug. 01, 1969	1978	190	Town of Hampton	Hampton
Nov. 26, 1969	1995	474	Lloyd C. Ring	Hampton
Dec. 12, 1969	1998	008	John & Irene Hines	Hampton
Mar. 10, 1970	2006	370	Francis & Irene O'Connor	Hampton

37. Distribution substation lot and 400 feet of distribution right-of-way on westerly side of Hampton Road, in Exeter, acquired under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Sept. 25, 1970	2036	105	Ralston Tree	Exeter
Sept. 16, 1970	2034	436	Exeter & Hampton Mobile Home	Exeter
Sept. 16, 1970	2034	434	Exeter & Hampton Mobile Home (Lot)	Exeter ⁹

⁶ Partially relocated pursuant to Easement Deed of Meadow Pond Farm Corporation dated April 29, 2002, recorded in Book 3792, Page 219.

⁷ Released and relocated pursuant to Easement Deed of Meadow Pond Farm Corporation and Ice House Lane Condominium Association dated April 29, 2002, recorded in Book 3792, Page 209.

⁸ Partially relocated pursuant to Easement Deed of Town of Hampton, New Hampshire dated June 24, 2002, recorded in Book 3792, Page 203.

⁹ Subject to easement rights granted by the Company to First Altex Realty Trust, Third Altex Realty Trust, and Renwick Realty by deed, dated January 31, 1985, recorded in Book 2531, Page 0654.

38. Parcel of land adjacent to Guinea Road Switching Station, in Hampton, acquired by deed of Lloyd Graves, dated September 1, 1970, recorded in Book 2032, page 271.

39. Easements to widen transmission line rights-of-way from Guinea Road Switching Station 0.3 mile in Hampton, to the transmission lines of Public Service Company of New Hampshire, acquired under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Sept. 1, 1970	2032	275	Billie and Oletha Barton	Hampton
Sept. 1, 1970	2032	274	Billie and Oletha Barton (Lot)	Hampton
Sept. 1, 1970	2032	277	Roger James	Hampton

40. 0.3 mile transmission line right-of-way from Exeter Switching Station to Phillips Exeter Academy Substation, and lot of land, acquired under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
July 09, 1968	1918	294	Phillips Exeter Academy	Exeter
July 09, 1968	1918	292	Phillips Exeter Academy	Exeter
July 09, 1968	1918	291	Phillips Exeter Academy (Lot)	Exeter

41. Lot of land adjacent to Service Building on Drinkwater Road, Kensington, acquired under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
July 26 1968	1921	432	Carolyn Christie ¹⁰	Kensington
Mar. 11, 1069	1955	089	Arthur Chapman	Kensington

42. Distribution rights-of-way located in various towns as indicated, acquired by the Company under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Feb. 23, 1971	2057	080	B-Jack Investments, Inc.	Exeter
Feb. 23, 1971	2057	082	Brickside Corporation	Exeter
Aug. 19, 1968	1927	205	Samuel H. Tamposi	Seabrook
Feb. 06, 1969	1960	024	Paul D. Dichter	Seabrook
Sept. 15, 1969	1985	146	Weare Park Associates	Seabrook
Dec. 01, 1969	1996	482	First Development Corporation	Seabrook
Oct. 22 1969	1992	260	Exeter Manor Nursing Home	Exeter
Aug. 30, 1969	1990	468	Roselle Iron Works, Inc.	Kingston

¹⁰ Except that portion of the premises acquired as conveyed by the Company to Arthur H. Chapman and Marion J. Chapman by deed dated December 26, 1968, recorded in Book 1955, Page 91

43. Easements for transmission line right-of-way from Powder Mill Road in Exeter to Charter Street in Exeter, a distance of 5810 feet, and a lot of land acquired under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Jan. 31, 1972	2136	135	Walter A. Stone	Exeter
April 4, 1972	2134	39	Jerry W. Belmonte	Exeter
Oct. 27, 1972	2182	86	John W. Durgin (Lot)	Exeter
Nov. 08, 1972	2184	438	Richard I. LaPerle	Exeter
Mar. 16, 1973	2199	461	Norman L. Judkins	Exeter
Mar. 16, 1973	2199	463	Francis L. Keaton	Exeter
Mar. 20, 1973	2199	459	Richard Irvine	Exeter

44. Lot of land on southerly side of Old Westville Road in Plaistow for a distribution substation acquired by deed of Westville Mkt. Inc., dated March 6, 1972, recorded in Book 2125, Page 268.

45. Easements to widen portion of transmission line right-of-way located in Hampton Falls, which is part of the Seabrook Loop right-of-way, acquired under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
June 23, 1971	2076	400	Walter W. Combs	Hampton Falls
June 23, 1971	2076	402	Helen C. Woodworth	Hampton Falls
July 07, 1971	2079	291	Apple Crest Farm Orchards, Inc.	Hampton Falls
July 09, 1971	2080	203	Francis J. Ferreira	Hampton Falls

46. Lot of land on westerly side of Mill Road in Kingston for a substation acquired by deed of Richard W. and Sylvia Senter, dated March 4, 1974, recorded in Book 2207, Page 1072, subject to a transmission line easement owned by Public Service Company of New Hampshire.

47. Lot of land on the southerly side of Rocks Road, in Seabrook, 100 feet by 200 feet, for a distribution substation, acquired by deed of John W. Durgin, dated September 27, 1974, recorded in Book 2230, Page 1620, subject to a 30 foot easement for the benefit of New England Telephone and Telegraph Company.

48. Easements for pole lines to service new industrial customers adjacent to the Boston & Maine Railroad in Hampton acquired under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
Nov. 10, 1975	2247	838	Charles G. and Mary O. White	Hampton
Dec. 08, 1975	2249	396	Dunfey Family Corp.	Hampton
Dec. 19, 1975	2249	1828	Webb Family Trust	Hampton

49. Tract of approximately .43 acres on the southerly side of Route 1 in the Town of Hampton, New Hampshire, adjacent to the southerly boundary of the existing Hampton Substation, conveyed to the Company by deed of the State of New Hampshire, dated September 15, 1980, and recorded in Book 2377, Page 978. (Also provided is a utility easement located between this parcel and the southerly sideline of US Route 1, containing 0.10 acres, more or less.)

50. Right-of-way for approximately 900 feet of transmission line construction in the Town of Hampton, New Hampshire to extend the 3341 and 3360 lines into Public Service Company of New Hampshire's Timber Swamp Substation, conveyed by deed of Public Service Company of New Hampshire, dated February 23, 1983, recorded in Book 2437, Page 238.

51. Right-of-way for approximately 80 feet of transmission line construction in the Town of Hampton, New Hampshire to extend the 3341 and 3360 lines into Public Service Company of New Hampshire's Timber Swamp Substation, conveyed by deed of Thomas L. & Patricia M. Deardeuff, dated July 15, 1982, recorded in Book 2418, Page 22.

52. Right-of-way for approximately 3300 feet of underground transmission line for the relocation of a portion of the 3359 line through the site of the Seabrook Nuclear Plant in the Town of Seabrook, New Hampshire, conveyed by deed of Properties, Inc., dated September 15, 1978, recorded in Book 2321, Page 591.

53. Right-of-way for approximately 1470 feet of transmission line located in Town of Hampton, New Hampshire, conveyed by deed of the State of New Hampshire, dated March 26, 1987, recorded in Book 2668, Page 1455.

54. Easement exchange between Properties, Inc. and Exeter & Hampton Electric Company to straighten a certain section of the 3359 Transmission Line to run parallel to and alongside a certain section of a 345 kV Transmission Line from the Seabrook Plant.

Granted from Properties, Inc. to Exeter & Hampton Electric Company are rights-of-way for a 100 foot strip across a portion of four (4) parcels acquired by Properties, Inc. under the following deeds:

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
<u>PARCEL 1:</u>				
May 10, 1971	2070	31	Town of Seabrook	Seabrook
May 11, 1971	2233	281	Karl J.E. Grove	Seabrook
May 10, 1971	2071	252	Bruce G. & Cynthia L. Brown	Seabrook
June 8, 1984	2496	1470	<u>Properties, Inc. v. Natalie B. Chase, et</u> <u>als.</u> (Rockingham County Superior Court #E-22-84)	Seabrook

<u>Date of Deed</u>	<u>Book</u>	<u>Page</u>	<u>Grantor</u>	<u>Location</u>
<u>PARCEL 2:</u>				
June 8, 1971	2074	217	Chase Enterprises, Inc.	Seabrook
May 12, 1971	2071	250	Colin W. Stard (Portion of "Parcel 1")	Seabrook
<u>PARCEL 3:</u>				
April 7, 1971	2070	21	Forrest C. Chase	Seabrook
May 12, 1971	2071	250	Colin W. Stard (Portion of "Parcel 2")	Seabrook
<u>PARCEL 4:</u>				
May 10, 1971	2234	1196	Ray W. Coombs	Seabrook
<u>ADDITIONAL</u>				
<u>EASEMENT:</u>				
May 12, 1992	2927	2505	Public Service Company of New Hampshire to Grantor	Seabrook

55. Easement Deed of Town of Exeter, New Hampshire dated December 11, 1995, recorded in Book 3136, Page 1638, conveying easement rights with respect to property in said Exeter.

56. All lines of poles and wires, both transmission and distribution, situate in the Towns of Exeter, Hampton, Hampton Falls, Seabrook, Stratham, Kingston, East Kingston, South Hampton, Newton, Danville, Plaistow, Atkinson, Kensington, North Hampton, Greenland, Brentwood, Derry, and Hampstead, all in the County of Rockingham, in The State of New Hampshire, including without limiting the generality of this description all rights, privileges and easements in the Company's transmission line running from said Exeter to that section of said Hampton known as Hampton Beach, the transmission line running from said Hampton to said Exeter, and the transmission line running from Kingston to the substation property acquired by said Company by deed of Roger B. Hill, dated August 16, 1951, recorded in Book 1219, Page 63, with all connections, appliances, appurtenances and apparatus connected therewith, including transformers, meters, switches and other devices, with all rights of way, franchises and locations existing in respect thereto including rights of way acquired but not presently utilized for transmission line purposes, of which the Company is possessed, situated in the Towns above mentioned.

[FORM OF BOND]

UNITIL ENERGY SYSTEMS, INC.

First Mortgage Bond, Series ___, ___%
Due _____

No. _____ \$ _____

Unitil Energy Systems, Inc., a corporation organized under the laws of the State of New Hampshire (hereinafter called the "*Company*"), for value received, hereby promises to pay to _____ or registered assigns, on the _____ day of _____, _____, the principal sum of _____ Dollars (\$_____) and to pay interest thereon from the date hereof at the rate of _____ per centum (_____%) per annum (computed on the basis of a thirty (30) day month and a three hundred sixty (360) day year) payable [insert frequency] on [insert payment dates] in each year, commencing with the _____ day of _____, _____, until said principal sum is paid; and to pay interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue payment of interest at the rate of [insert overdue rate] % per annum. The principal of, premium, if any, and the interest on this bond shall be payable at the corporate trust office of U.S. Bank National Association, in Boston, Massachusetts, or at the corporate trust office of its successor as Trustee of the trust hereinafter referred to, or at the option of certain holders in accordance with the provisions of Section 7.05 of the Indenture hereinafter referred to, in lawful money of the United States of America.

This bond is one of a duly authorized issue of First Mortgage Bonds of the Company limited as to aggregate principal amount as set forth in the Indenture hereinafter mentioned, issuable in series, and is one of a series known as First Mortgage Bonds, Series ___, all bonds of all series being issued and to be issued under and pursuant to and all equally secured (except as any sinking or other fund, established in accordance with the provisions of the Indenture hereinafter mentioned, may afford additional security for the bonds of any particular series) by an Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (herein called the "*Original Indenture*") duly executed and delivered by the Company to Old Colony Trust Company (U.S. Bank National Association being successor Trustee and together with each predecessor trustee being called the "*Trustee*"), which, together with all indentures supplemental thereto, was amended and restated by the execution and delivery of a Twelfth Supplemental Indenture dated as of December 2, 2002 (the "*Amended and Restated Indenture*"), to which Amended and Restated Indenture and to all indentures supplemental thereto, including a Supplemental Indenture (the "_____*Supplemental Indenture*") dated as of _____ (the Amended and Restated Indenture together with all indentures supplemental thereto, herein being the "*Indenture*") reference is hereby made for a description of the property transferred, assigned and mortgaged thereunder, the nature and extent of the security, the terms and conditions upon which the bonds are secured and additional bonds may be issued and secured, and the rights of the holders or registered owners of said bonds, of the Trustee and of the Company in respect of such security. Neither the foregoing reference to the Indenture, nor any provision of this bond or of

the Indenture, shall affect or impair the obligation of the Company, which is absolute, unconditional and unalterable, to pay, at the stated or accelerated maturities herein provided, the principal of and premium, if any, and interest on this bond as herein provided.

[Bonds of this Series _____ are entitled to the benefit of a required sinking fund provided for in the _____ Supplemental Indenture and shall become subject to redemption for the purposes of such sinking fund at the principal amount thereof without premium, plus interest accrued thereon to the date of such redemption, all on the conditions and in the manner provided in the _____ Supplemental Indenture.]

[Bonds of this Series _____ are also redeemable, in whole or in part, in integral multiples of _____ dollars, at the option of the Company on any date on at least 30 days' notice, in the manner, with the effect, subject to the limitations and for the amounts specified in Section _____ of the _____ Supplemental Indenture.]

[On the conditions and in the manner provided in the Section _____ of the _____ Supplemental Indenture, Series _____ Bonds may also become subject to redemption, in whole or in part, at any time on at least 30 days' notice, in the manner, with the effect and for the amounts specified in said Section _____, by the use of moneys deposited with or paid to the Trustee as the proceeds of the sale or condemnation of property of the Company or as the proceeds of insurance policies deposited with or paid to the Trustee because of damage to or destruction of property of the Company.]

[In the event that all or any part of the bonds of this Series _____ shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such Series _____ Bonds shall be entitled to be paid therefor an amount specified in Section _____ of the _____ Supplemental Indenture.]

The Indenture provides that, if notice of redemption of any bond issued pursuant to its terms, including the Series _____ Bonds, or of any portion of the principal amount of any such bond selected for redemption has been duly given, then such bond or such portion thereof shall become due and payable on the redemption date, and, if the redemption price shall have been duly deposited with the Trustee, interest thereon shall cease to accrue from and after the redemption date, and that whenever the redemption price thereof shall have been duly deposited with the Trustee and notice of redemption shall have been duly given, or provision thereof made as provided in the Indenture, such bond or such portion thereof shall no longer be entitled to any lien or benefit of the Indenture.

In case an Event of Default, as defined in the Indenture, occurs, the principal of this bond may become or may be declared due and payable prior to the stated maturity hereof in the manner and with the effect and subject to the conditions provided in the Indenture.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, upon books of the Company to be kept for that purpose at the corporate trust office of

the Trustee under the Indenture, upon surrender thereof at said office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds, of like form and in an authorized denomination or in authorized denominations and of the same series, for the same aggregate principal amount. Bonds of Series ____ upon surrender thereof at said office may be exchanged for the same aggregate principal amount of fully registered bonds of Series ____ of another authorized denomination or other authorized denominations, all upon payment of the charges, if any, and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for all purposes.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, any of the provisions of the Indenture or of any instrument supplemental thereto may be modified by the assent or authority of the holders of at least seventy-five per centum (75%) in principal amount of the bonds then outstanding thereunder, *provided, however*, that no such modification shall (i) extend the time or times or payment of the principal of, or the interest or premium, if any, on any bond, (ii) reduce the principal amount thereof or the rate of interest or premium thereon, (iii) authorize the creation of any lien prior or equal to the lien of the Indenture upon any property subject to the lien thereof, or deprive any bondholder of the benefit of the lien of the Indenture, (iv) affect the rights under the Indenture of the holders of one or more, but less than all, of the series of bonds outstanding thereunder unless assented to by the holders of seventy-five per centum (75%) in aggregate principal amount of bonds outstanding thereunder of each of the series so affected, (v) reduce the percentage of bonds, the holders of which are required to assent to any such modification, or (vi) in any manner affect the rights or obligations of the Trustee without its written consent thereto.

No recourse shall be had for the payment of the principal of or the interest on this bond or of any claim based hereon or in respect hereof or of the Indenture, against any incorporator, stockholder, officer or director of the Company, or of any successor company, whether by virtue of any statute or rule of law or by the enforcement of any assessment of penalty or otherwise, all such liability being by the acceptance hereof expressly waived and released and being also waived and released by the terms of the Indenture.

This bond shall not be valid nor become obligatory for any purpose until it shall have been authenticated by the execution of the certificate hereon endorsed by the Trustee under the Indenture.

IN WITNESS WHEREOF, Unitil Energy Systems, Inc. has caused this bond to be signed in its name by its President or one of its Vice Presidents and its corporate seal to be hereunto affixed and attested by its Treasurer or one of its Assistant Treasurers, and this bond to be dated the _____ day of _____.

UNITIL ENERGY SYSTEMS, INC.

By _____
Name: _____
Title: _____

ATTEST: _____
Treasurer

(Corporate Seal)

[Form of Trustee's Certificate of Authentication]

Trustee's Certificate of Authentication

This is one of the First Mortgage Bonds, Series ____ referred to in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION, Trustee

By: _____
Authorized Officer

(FORM OF ENDORSEMENT)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within bond, and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said bond on the books of the Company, with full power of substitution in the premises.

Dated: _____

Signature of Registered Owner

In the presence of _____

NOTICE: The signature of this assignment must correspond with the name of the payee as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

UNITIL ENERGY SYSTEMS, INC.

CERTIFICATE OF NET BONDABLE EXPENDITURES

Certificate of Net Bondable Expenditures filed with U.S. BANK NATIONAL ASSOCIATION (as successor to Old Colony Trust Company), Trustee, under Indenture of Mortgage and Deed of Trust dated as of July 15, 1958, as amended and restated by the Twelfth Supplemental Indenture thereto dated as of December 2, 2002 (the "*Amended and Restated Indenture*"), as such Amended and Restated Indenture may be supplemented (such Amended and Restated Indenture, as so supplemented, the "*Indenture*").

The undersigned, _____ and _____, being President and Treasurer, respectively, of Unitil Energy Systems, Inc. (the "*Company*"), a New Hampshire corporation, being duly sworn, depose and state as follows:

Upon application for Authentication and Delivery under Article IV of \$_____ of First Mortgage Bonds, Series

(or here substitute appropriate language if certificate is in connection with withdrawal of cash or taking of credit)

the undersigned do hereby certify that the summary statements herein contained covering (i) the period from June 30, 1952 to, but not including, December 2, 2002 (the "*Merger Date*") for Exeter and Hampton Electric Company ("*Exeter*"), (ii) the period from May 31, 1958 to, but not including, the Merger Date for the Company and (iii) the period on or after the Merger Date through the date of calculation for the Company, are correct and complete, that the Property Additions for which the Gross Expenditures hereinafter referred to have been made constitute Property Additions as defined in Section 4.01(A) of said Indenture and that the Company is now entitled to have authenticated and delivered said amount of First Mortgage Bonds, Series

(or here substitute appropriate language with respect to the withdrawal of cash or the taking of credit)

**COMPUTATION OF NET EXPENDITURES FOR
PROPERTY ADDITIONS**

1. *Gross Expenditures for Property Additions*, the sum of:
 - (i) Exeter Pre-Merger Gross Expenditures for Property Additions, \$82,291,896
 - (ii) Company Pre-Merger Gross Expenditures for Property Additions, and \$66,738,186
 - (iii) Company Post-Merger Gross Expenditures for Property Additions calculated from the Merger Date to date \$_____

[Here insert statement respecting New Gross Expenditures required by (i) of Section 4.01I.]

Total for (1) \$ _____

LESS

2. *Net Retirements*, the sum of:

(i) Exeter Pre-Merger Net Retirements	\$15,046,604
(ii) Company Pre-Merger Net Retirements, and	\$15,272,384
(iii) Net Retirements, beginning with the Merger Date to date computed as follows:	\$ _____

(a) Retirements, beginning with the \$ _____
Merger Date to date.....

[Here insert statement respecting new Retirements required by (ii) of Section 4.01I.]

(b) Less all moneys received by or deposited with the Trustee pursuant to:
Section 8.10—\$ _____ ; Section 8.12—\$ _____ ; Section 10.03—\$ _____ ; and Section 10.04—\$ _____ ; all from the
Merger Date to date..... \$ _____

Company Post-Merger Net Retirements \$ _____

Total for (2) \$ _____

EQUALS

3. *Net Expenditures for Property Additions*, the sum of:

(i) Exeter Pre-Merger Net Expenditures	\$67,245,292
[(1)(i) minus (2)(i)]	
(ii) Company Pre-Merger Net Expenditures	\$51,465,802
[(1)(ii) minus (2)(ii)]	
(iii) Company Post-Merger Net Expenditures	\$ _____
[(1)(iii) minus 2(iii)]	

Total for (3) \$ _____

**COMPUTATION OF NET BONDABLE EXPENDITURES
FOR PROPERTY ADDITIONS**

(As of date of filing of this Certificate)

4. *Net Expenditures for Property Additions,* \$ _____

Same as (3) above.

LESS

5. *Aggregate of Net Bondable Expenditures Heretofore Bonded, the sum of :*

(i) Exeter Pre-Merger Bonded Expenditures..... \$49,378,806
(from Line 3 of Annex B)

(ii) Company Pre-Merger Bonded Expenditures \$46,592,604
(from Line 3 of Annex C)

(iii) Company Post-Merger Bonded Expenditures; namely, the amount certified pursuant to (5)(iii) of the last certificate filed after the Merger Date \$ _____ plus the amount certified pursuant to (11) of said last certificate filed \$ _____..... \$ _____

Total for (5) \$ _____

EQUALS

6. *Net Bondable Expenditures at the date of this certificate, the sum of :*

(i) Exeter Pre-Merger Bondable Expenditures..... \$17,866,486
[(3)(i) minus (5)(i)]

(ii) Company Pre-Merger Bondable Expenditures..... \$4,873,198
[(3)(ii) minus (5)(ii)]

(iii) Company Post-Merger Bondable Expenditures..... \$ _____
[(3)(iii) minus (5)(iii)]

Total for (6) \$ _____

**STATEMENT OF NET BONDABLE EXPENDITURES
NOW TO BE BONDED**

7. 147.06% of total of: aggregate principal amount of Bonds now to be issued under Article IV \$_____; and aggregate amount of cash now to be withdrawn under Article VI \$_____. \$_____
8. Total of Net Bondable Expenditures now to be appropriated under Section 8.07 \$_____ and Section 12.01 \$_____ \$_____
9. 147.06% of credits now to be entered against sinking and improvement funds under Article IX \$_____
10. Aggregate amount of cash for the withdrawal of which application is now made under (a) of Section 11.02 \$_____
11. Amount of Net Bondable Expenditures, if any, now to be Bonded \$_____

Total of (7), (8), (9) and (10).

12. Amount of Net Bondable Expenditures, not now to be Bonded \$_____

(6) minus (11).

(NOTE: The amount of (11) cannot exceed the amount of the Net Bondable Expenditures existing at the time of the filing of this certificate, namely, the amount certified pursuant to (6) above.)

Here insert statements required by Section 16.07 of the Indenture.

Dated _____

President
Unitil Energy Systems, Inc.

Treasurer
Unitil Energy Systems, Inc.

Subscribed and sworn to by _____, President, and _____,
Treasurer, of Unitil Energy Systems, Inc., before me this _____ day of _____, 20____.

Notary Public

**CALCULATION OF EXETER
PRE-MERGER BONDED EXPENDITURES**

The Exeter Pre-Merger Bonded Expenditures taken by Exeter for bonds issued, the withdrawal of cash or other credit taken under the Exeter Indenture using a ratio of 60% of Net Expenditures for Property Additions, is hereby calculated using a ratio of 68% rather than 60%:

- | | |
|---|--------------|
| (1) Net Bondable Expenditures of Exeter certified as Bonded pursuant to (5) of the last Exeter certificate plus the amount thereof certified pursuant to (10) of said certificate for a total of Net Bondable Expenditures of Exeter bonded using a 60% ratio | \$55,962,647 |
| (2) Amount of Bonds previously issued or cash withdrawn or other credit taken under the Exeter Indenture equals (1) above multiplied by 60% | \$33,577,588 |
| (3) Amount of Net Bondable Expenditures of Exeter which would have been bonded if a 68% ratio had been used equals (2) divided by 68% so Exeter Pre-Merger Bonded Expenditures equals..... | \$49,378,806 |
| [insert in (5)(i) of the Certificate of Net Bondable Expenditures] | |

CALCULATION OF COMPANY PRE-MERGER BONDED EXPENDITURES

The Company Pre-Merger Expenditures taken by the Company for bonds issued, the withdrawal of cash or credit taken under the Indenture using a ratio of 60% of Net Expenditures for Property Additions, was recalculated pursuant to an amendment to Section 4.04 contained in the Tenth Supplemental Indenture dated as of January 15, 2001 using a ratio of 68% rather than 60%, which recalculation is set forth in paragraph (1) below. The only additional Net Bonded Expenditures of the Company bonded thereafter and prior to the Merger Date were calculated on the basis of a 68% ratio and are set forth in paragraph (2) below. As a result, paragraph (3) contains the Net Bondable Expenditures of the Company bonded prior to the Merger Date calculated as follows:

- | | |
|---|--------------|
| (1) Amount of Net Bondable Expenditures which would have been bonded prior to the Tenth Supplemental Indenture if the amount of bonds previously issued or cash withdrawn or other credit taken under the Indenture had been bonded on the basis of a 68% ratio rather than a 60% ratio (per Schedule 1 to Annex A to the Tenth Supplemental Indenture) | \$35,563,104 |
| (2) Amount of Net Bondable Expenditures bonded after the Tenth Supplemental Indenture but prior to the Merger Date (which were calculated on the basis of a 68% ratio) | \$11,029,500 |
| (3) Amount of Net Bondable Expenditures by the Company based upon a 68% ratio. ((1) plus (2)) | \$46,592,604 |

[insert in (5)(ii) of the Certificate of Net Bondable Expenditures]

SERIES I BONDS

The terms and provisions of the Series I, 8.49% Bonds of the Company which were set forth in the Eighth Supplemental Indenture, have been amended and restated in this Exhibit C, which shall from and after the Merger Date control the terms and conditions of such Series I, 8.49% Bonds, and the Eighth Supplemental Indenture shall have no further force or effect with respect to such terms and conditions.

All things have been done and performed which are necessary to make the Series I Bonds, when authenticated by the Trustee and issued as herein provided, legal, valid and binding obligations of the Company;

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED, as set forth in the following covenants, agreements, conditions and provisions, to wit:

ARTICLE ONE AMENDMENT AND RESTATEMENT OF SERIES I BONDS

Section 1.01. There is hereby amended and restated the series of bonds heretofore designated as "First Mortgage Bonds, Series I." Series I Bonds which shall be fully registered bonds and of the denomination of \$1,000 and multiples thereof. The registered bonds of Series I issued after the Merger Date shall be dated as provided in Section 2.03 of the Indenture. All Series I Bonds shall mature on October 14, 2024 and shall bear interest at the rate of eight and forty-nine one hundredths percent (8.49%) per annum from their respective dates of issue, such interest to be payable semi-annually on the fourteenth day of April and the fourteenth day of October in each year commencing the fourteenth day of April, 2003, and shall bear interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at the rate of 9.49% per annum. The principal of, premium, if any, and interest on bonds of Series I shall be payable at the corporate trust office in Boston, Massachusetts of U.S. Bank National Association or at the corporate trust office designated by its successor as Trustee hereunder, in lawful money of the United States of America, *provided* that the Company may enter into a written agreement with any registered Institutional Holder of the bonds of Series I providing that payment of interest thereon and of the redemption price on any portion of the principal amount thereof (including premium, if any) which may be redeemed shall be made directly to such holder or to its nominee, as the case may be, at a duly designated place of payment within the United States, without surrender or presentation of such bonds of Series I to the Trustee, *provided* that (A) there shall have been filed with the Trustee a copy of such agreement and (B) pursuant to such agreement such holder shall agree that it will not sell, transfer or otherwise dispose of any such bond of Series I in respect of which any such payment or redemption shall have been made unless, prior to the delivery thereof by it, either (i) it shall have made a clear and accurate notation of the amount of principal so redeemed upon such bond to be transferred, or (ii) such bond of Series I shall have been presented to the Trustee for appropriate notation thereon of the portion of the principal amount thereof redeemed, or (iii) such bond or bonds of Series I shall

have been surrendered in exchange for a new bond or bonds of Series I for the unredeemed balance of the principal amount thereof in accordance with the other terms of the Indenture. For purposes of this Section 1.01, the term “*Institutional Holder*” shall mean any insurance company, bank, savings and loan association, trust company, investment company, charitable foundation, employee benefit plan (as defined in ERISA) or other institutional investor or financial institution. The text of the Series I Bonds and the Trustee’s certificate with respect thereto shall be respectively substantially of the tenor and purport set forth in Schedule A hereto. The Series I Bonds shall be numbered in such manner or by such method as shall be satisfactory to the Trustee.

The issue of bonds of Series I hereunder is hereby limited to the \$6,000,000 in aggregate principal amount of Series I Bonds initially issued under the Eighth Supplemental Indenture and to Series I Bonds issued in exchange or substitution for outstanding Series I Bonds under the provisions of Sections 2.08, 2.10, 2.11 and 7.05 of the Indenture and of Section 1.07 hereof.

Section 1.02. As a required sinking fund for the benefit of the Series I Bonds, the Company covenants that it will, on or prior to October 13 in each year, beginning with October 13, 2015, and continuing to and including October 13, 2024, pay to the Trustee immediately available funds sufficient to redeem, at par, Series I Bonds then outstanding, in the principal amount of Six Hundred Thousand Dollars (\$600,000) (or the remaining principal amount if less than \$600,000 principal amount of Series I Bonds at the time remains outstanding). The payments required for the sinking fund as above provided are in this Section 1.02 and elsewhere in this Exhibit C referred to as “required sinking fund payments” and the day following the latest date on which each such payment is required to be made is herein and therein referred to as a “required sinking fund redemption date.” Each required sinking fund payment shall be applied to the redemption of Series I Bonds on the applicable required sinking fund redemption date.

No redemption under Section 1.03, 1.04, 1.05 or 1.06 hereof shall affect or reduce the obligation of the Company to provide for required sinking fund redemptions under this Section 1.02 until all Series I Bonds shall have been paid in full.

Section 1.03. At the same time it makes any required sinking fund payment, the Company shall have the option (which shall be non-cumulative) to pay to the Trustee, in immediately available funds, an additional principal amount of Six Hundred Thousand Dollars (\$600,000) (in this Section 1.03 and elsewhere in this Exhibit C to the Twelfth Supplemental Indenture referred to as an “*optional sinking fund payment*”), *provided*, that the cumulative amount of all optional sinking fund payments pursuant to this Section 1.03 shall not exceed One Million Two Hundred Thousand Dollars (\$1,200,000) and each such optional sinking fund payment shall be applied to the redemption of Series I Bonds on the required sinking fund redemption date for such required sinking fund payment. The Company will give notice, by registered mail, postage prepaid, to the Trustee and to each registered owner of a bond of Series I of any required or optional payment to be made pursuant to Section 1.02, this Section 1.03, Section 1.04 or Section 1.05 hereof not more than 60, nor less than 30, days prior to the required sinking fund redemption date (or other designated date of redemption in the case of a redemption pursuant to Section 1.04 or Section 1.05).

Section 1.04. In addition to the required and optional sinking funds provided by Sections 1.02 and 1.03 hereof, all of the bonds of Series I, or any part of the principal amount thereof constituting One Hundred Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, on any date on or after October 14, 1994 and before October 14, 2019, pursuant to the provisions of Article VII of the Indenture, and by payment of an amount equal to the Make Whole Amount, as defined below in this Section 1.04, determined five Business Days prior to such redemption. In addition to the foregoing, on any date on or after October 14, 2019, all of the bonds of Series I, or any part of the principal amount thereof constituting One Hundred Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, by payment of the interest accrued on the principal amount of the bond or bonds optionally to be redeemed to the date fixed for such redemption plus an amount equal to the applicable percentage of the principal amount thereof as follows:

DATE FIXED FOR REDEMPTION	APPLICABLE PERCENTAGE
If redeemed on or after October 14, 2019 and before October 14, 2020	101.5%
On or after October 14, 2020 and before October 14, 2021	101.0%
On or after October 14, 2021 and before October 14, 2022	100.5%
On or after October 14, 2022 and prior to maturity	100%

For purposes of this Section 1.04, the Make Whole Amount shall mean the greater of (i) the outstanding principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for such redemption, and (ii) the sum of (A) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed (taking into account each redemption required by Section 1.02 above) and the amount of interest (exclusive of interest accrued to the date fixed for such redemption) that would have been payable in respect of each such dollar if such redemption had not been made, determined by discounting such amounts at the Reinvestment Rate (as hereinafter defined) from the respective dates on which they would have been payable to the date of such redemption, plus (B) interest accrued on the bonds to be redeemed to the date fixed for such redemption.

For purposes of any determination of the Make Whole Amount:

“Reinvestment Rate” shall mean (1) the sum of 0.50%, *plus* the yield reported on page “USD” of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in the United States government Securities) at 11:00 A.M. (Eastern time) on the fifth Business Day preceding the date the Make Whole Amount becomes due and payable pursuant to the foregoing provisions of this Section 1.04, for the United States government Securities having a maturity (rounded to the nearest month) corresponding to the remaining Weighted Average Life to Maturity of the principal of the bonds being redeemed (taking into account the application of each redemption required by Section 1.02) or (2) in the event that no nationally recognized trading screen reporting on-line intraday trading in the

United States government Securities is available, Reinvestment Rate shall mean the sum of 0.50%, *plus* the arithmetic mean of the yields for the two columns under the heading “*Week Ending*” published on the fifth Business Day preceding the date the Make Whole Amount becomes due and payable pursuant to the foregoing provisions of this Section 1.04, in the Statistical Release under the caption “*Treasury Constant Maturities*” for the maturity (rounded to the nearest month) corresponding to the Weighted Average Life to Maturity of the principal amount of the bonds being redeemed (taking into account each redemption required by Section 1.02). If no maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two published maturities most closely corresponding to such Weighted Average Life to Maturity shall be calculated pursuant to the immediately preceding sentence, and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straightline basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make Whole Amount shall be used.

“*Statistical Release*” shall mean the then most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded U.S. Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66-2/3% in aggregate principal amount of outstanding Series I bonds.

“*Weighted Average Life to Maturity*” of the principal amount of the bonds being redeemed shall mean, as of the time of any determination thereof, the number of years obtained by dividing the then Remaining Dollar-Years of such principal by the aggregate amount of such principal. The term “*Remaining Dollar-Years*” of such principal shall mean the amount obtained by (i) multiplying (x) the remainder of (1) the amount of principal that would have been payable on each scheduled redemption date under Section 1.02 hereof if the redemption pursuant to this Section 1.03 had not been made, less (2) the amount of principal on the bonds scheduled to become payable on each such redemption date under Section 1.02 after giving effect to the redemption pursuant to this Section 1.04, by (y) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination and each such scheduled redemption date under Section 1.02, and (ii) totaling the products obtained in (i).

Section 1.05. Series I Bonds may be redeemed pursuant to Article XI of the Indenture (i) out of Trust Moneys, required by Section 8.12 of the Indenture to be deposited with the Trustee, on any date and shall be redeemed for an amount equal to the principal amount of the bonds to be redeemed, plus interest accrued to the date of redemption; or (ii) out of Trust Moneys required by Sections 8.10, 10.03, 10.04 or 10.04A of the Indenture to be deposited with the Trustee, on any date and, if redeemed prior to October 14, 2019, then they shall be redeemed for an amount equal to the Make Whole Amount, as defined above in Section 1.04, and if redeemed on any date on or after October 14, 2019, then they shall be redeemed for an amount equal to the interest accrued on the principal amount of the bond or bonds to be redeemed to the date fixed

for redemption, plus an amount equal to the applicable percentage of the principal amount thereof set forth in Section 1.04, above, for optional redemptions occurring on or after October 14, 2019.

Section 1.06. In the event that all or any part of the bonds of Series I shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such bonds of Series I shall be entitled to be paid an amount equal to the Make Whole Amount, if such redemption or discharge occurs prior to October 14, 2019, or, if such redemption or discharge occurs on or after October 14, 2019, then the registered owners of such bonds shall be entitled to be paid an amount equal to the interest accrued on the principal amount of the bonds to be redeemed to the date of redemption, plus an amount equal to the then applicable percentage of the principal amount thereof provided in Section 1.04, above, for optional redemptions after such date.

Section 1.07. Bonds of Series I, upon surrender thereof at the principal office of the Trustee, may be exchanged for the same aggregate principal amount of other bonds of this Series.

Within a reasonable time after the receipt of a request for such an exchange, the Company shall issue and the Trustee shall authenticate and deliver all bonds required in connection therewith, and the Trustee shall make such exchange upon payment to it of such charge, if any, as is required by the following paragraph.

For any exchange of bonds of Series I, the Company, at its option, may require the payment of a sum sufficient to reimburse it for any stamp or other tax or governmental charge required to be paid by the Company or the Trustee.

ARTICLE TWO REDEMPTION

Section 2.01. In the case of any required or optional sinking fund redemption pursuant to Sections 1.02 and 1.03 hereof, forthwith after the September 14 preceding each required sinking fund redemption date, and in the case of any proposed redemption pursuant to Sections 1.04 or 1.05, forthwith after the Trustee's receipt of proper notice from the Company of any such proposed redemption, the Trustee, shall act in accordance with the provisions of Article VII of the Indenture.

The Company covenants that it will pay to the Trustee

(i) on or before the day prior to each required sinking fund redemption date, the sum required by Section 1.02 hereof, plus the sum, if any, payable in accordance with any notice of optional redemption delivered prior to such required sinking fund redemption date pursuant to Section 1.03 hereof,

(ii) on or before the day prior to the date proposed by the Company in a notice (which notice shall conform to the requirements of Article VII of the Indenture) of any redemption pursuant to Section 1.04 or 1.05 hereof, the amount payable in accordance with such notice, and

(iii) at the time of each required sinking fund redemption or other redemption the Company shall pay to the Trustee the amount of the charges which shall be due the Trustee and the amount of the expenses which the Trustee advises the Company it has incurred or will incur in connection with such redemption.

(FORM OF SERIES I BOND)

UNITIL ENERGY SYSTEMS, INC.

No. IR-_____

\$_____

First Mortgage Bond, Series I, 8.49%
due October 14, 2024

Unitil Energy Systems, Inc., a corporation organized under the laws of the State of New Hampshire (hereinafter called the "*Company*"), for value received, hereby promises to pay to _____ or registered assigns, on the fourteenth day of October, 2024, the principal sum of _____ Dollars (\$_____) and to pay interest thereon from the date hereof at the rate of eight and forty-nine hundredths per centum (8.49%) per annum (computed on the basis of a thirty (30) day month and three hundred sixty (360) day year) payable semi-annually on the fourteenth day of April and the fourteenth day of October in each year, commencing the fourteenth day of April, 2003, until said principal sum is paid; and to pay interest on any overdue principal (including any overdue prepayment of principal) and premium if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at the rate of 9.49% per annum. The principal of and premium, if any, and the interest on this bond shall be payable at the corporate trust office in Boston, Massachusetts of U.S. Bank National Association, or at the corporate trust office designated by its successor as trustee in the trust hereinafter referred to, or at the option of certain holders, in accordance with the provisions of Section 1.01 of Exhibit C of the Twelfth Supplemental Indenture hereinafter referred to, in lawful money of the United States of America.

This bond is one of a duly authorized issue of First Mortgage Bonds of the Company limited as to aggregate principal amount as set forth in the Indenture hereinafter mentioned, issuable in series, and is one of a series known as First Mortgage Bonds, Series I, all bonds of all series being issued and to be issued under and pursuant to and all equally secured (except as any sinking or other fund, established in accordance with the provisions of the Indenture hereinafter mentioned, may afford additional security for the bonds of any particular series) by an Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (herein called the "*Original Indenture*") duly executed and delivered by the Company to Old Colony Trust Company (U.S. Bank National Association being successor Trustee and together with each predecessor trustee being called the "*Trustee*"), to which Original Indenture and to all Indentures supplemental thereto, including a Twelfth Supplemental Indenture (the "*Twelfth Supplemental Indenture*") dated as of December 2, 2002 (herein together called the "*Indenture*") reference is hereby made for a description of the property transferred, assigned and mortgaged thereunder, the nature and extent of the security, the terms and conditions upon which the bonds are secured and additional bonds may be issued and secured, and the rights of the holders or registered owners of said bonds, of the Trustee and of the Company in respect of such security. Neither the foregoing reference to the Indenture, nor any provision of this bond or of the Indenture, shall affect or impair the obligation of the Company, which is absolute, unconditional and unalterable, to pay,

at the stated or accelerated maturities herein provided, the principal of and premium, if any, and interest on this bond as herein provided.

Bonds of this Series I are entitled to the benefit of a required sinking fund and an optional sinking fund provided for in Exhibit C to the Twelfth Supplemental Indenture and shall become subject to redemption for the purposes of such sinking funds at the principal amount thereof without premium, plus interest accrued thereon to the date of such redemption, all on the conditions and in the manner provided in Exhibit C to the Twelfth Supplemental Indenture.

Bonds of this Series I are also redeemable, in whole or in part, in integral multiples of one hundred thousand dollars, at the option of the Company on any date on at least 30 days' notice, in the manner, with the effect, subject to the limitations and for the amounts specified in Section 1.04 of Exhibit C to the Twelfth Supplemental Indenture.

On the conditions and in the manner provided in the Section 1.05 of Exhibit C to the Twelfth Supplemental Indenture, Series I Bonds may also become subject to redemption, in whole or in part, at any time on at least 30 days' notice, in the manner, with the effect and for the amounts specified in said Section 1.05, by the use of moneys deposited with or paid to the Trustee as the proceeds of the sale or condemnation of property of the Company or as the proceeds of insurance policies deposited with or paid to the Trustee because of damage to or destruction of property of the Company.

In the event that all or any part of the bonds of this Series I shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such Series I Bonds shall be entitled to be paid therefor an amount specified in Section 1.06 of Exhibit C to the Twelfth Supplemental Indenture.

The Indenture provides that, if notice of redemption of any bond issued pursuant to its terms, including the Series I Bonds, or any portion of the principal amount of any such bond selected for redemption has been duly given, then such bond or such portion thereof shall become due and payable on the date fixed for redemption, and, if the redemption price shall have been duly deposited with the Trustee, interest thereon shall cease to accrue from and after the date fixed for redemption, and that whenever the redemption price thereof shall have been duly deposited with the Trustee and notice of redemption shall have been duly given, or provision therefor made as provided in the Indenture, such bond or such portion thereof shall no longer be entitled to any lien or benefit of the Indenture.

In case an Event of Default, as defined in the Indenture, occurs, the principal of this bond may become or may be declared due and payable prior to the stated maturity hereof in the manner and with the effect and subject to the conditions provided in the Indenture.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, upon books of the Company to be kept for that purpose at the corporate trust office of the Trustee under the Indenture, upon surrender thereof at said office for cancellation and upon

presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds, of like form and in an authorized denomination or in authorized denominations and of the same series, for the same aggregate principal amount. Bonds of this series upon surrender thereof at said office may be exchanged for the same aggregate principal amount of bonds, also of this series but of another authorized denomination or other authorized denominations, all upon payment of the charges, if any, and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for all purposes.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, property may be released from the lien thereof, and the terms and provisions of the Indenture may be modified by the assent or authority of the holders of at least seventy-five per centum (75%) in principal amount of the bonds then outstanding thereunder, *provided, however*, that no such modification shall (i) extend the time or times or payment of the principal of, or the interest or premium, if any, on any bond, (ii) reduce the principal amount thereof or the rate of interest or premium thereon, (iii) authorize the creation of any lien prior or equal to the lien of the Indenture upon any property subject to the lien thereof, or deprive any bondholder of the benefit of the lien of the Indenture, (iv) affect the rights under the Indenture of the holders of one or more, but less than all, of the series of bonds outstanding thereunder unless assented to by the holders of seventy-five per centum (75%) in aggregate principal amount of bonds outstanding thereunder of each of the series so affected, (v) reduce the percentage of bonds, the holders of which are required to assent to any such modification, or (vi) in any manner affect the rights or obligations of the Trustee without its written consent thereto.

No recourse shall be had for the payment of the principal of or the interest on this bond, or of any claim based hereon or in respect hereof or of the Indenture, against any incorporator, stockholder, officer or director of the Company, or of any successor company, whether by virtue of any statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being by the acceptance hereof expressly waived and released and being also waived and released by the terms of the Indenture.

This bond shall not be valid nor become obligatory for any purpose until it shall have been authenticated by the execution of the certificate hereon endorsed by the Trustee under the Indenture.

IN WITNESS WHEREOF, Unitil Energy Systems, Inc. has caused this bond to be signed in its name by its President or one of its Vice Presidents and its corporate seal to be hereunto affixed and attested by its Treasurer, and this bond to be dated the _____, ____.

UNITIL ENERGY SYSTEMS, INC.

By: _____
President

ATTEST: _____
Treasurer

(Corporate Seal)

(Form of Trustee's Certificate for all Bonds of Series I)

Trustee's Certificate of Authentication

This is one of the First Mortgage Bonds, Series I, referred to in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Officer

(FORM OF ENDORSEMENT)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within bond, and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said bond on the books of the Company, with full power of substitution in the premises.

Signature of Registered Owner

Dated: _____

In the presence
of: _____

NOTICE: The signature of this assignment must correspond with the name of the payee as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

SERIES J BONDS

The terms and provisions of the Series J, 6.96% Bonds of the Company which were set forth in the Ninth Supplemental Indenture, have been amended and restated in this Exhibit D, which shall from and after the Merger Date control the terms and conditions of such Series J, 6.96% Bonds, and the Ninth Supplemental Indenture shall have no further force or effect with respect to such terms and conditions.

All things have been done and performed which are necessary to make the Series J Bonds, when authenticated by the Trustee and issued as herein provided, legal valid and binding obligations of the Company;

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED, as set forth in the following-covenants, agreements, conditions and provisions, to wit:

ARTICLE ONE

AMENDMENT AND RESTATEMENT OF SERIES J BONDS

Section 1.01. There is hereby amended and restated the series of bonds heretofore designated as and entitled "First Mortgage Bonds, Series J." Series J Bonds which shall be fully registered bonds, of the denomination of \$1,000 and multiples thereof. The registered bonds of Series J issued after the Merger Date shall be dated as provided in Section 2.03 of the Indenture. All Series J Bonds shall mature on September 1, 2028 and shall bear interest at the rate of six and ninety-six one hundredths percent (6.96%) per annum from their respective dates of issue, such interest to be payable quarterly in arrears on the first day of March, June, September and December in each year commencing the first day of March, 2003, and shall bear interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at the rate of 8.96% per annum. The principal of, premium if any, and interest on bonds of Series J shall be payable at the corporate trust office in Boston, Massachusetts of U.S. Bank National Association or at the corporate trust office designated by its successor as Trustee hereunder, in lawful money of the United States of America *provided* that the Company may enter into a written agreement with any registered Institutional Holder of the bonds of Series J providing that payment of interest thereon and of the redemption price on any portion of the principal amount thereof (including premium, if any) which may be redeemed shall be made directly to such holder or to its nominee, as the case may be, at a duly designated place of payment within the United States, without surrender or presentation of such bonds of Series J to the Trustee, *provided* that (A) there shall have been filed with the Trustee a copy of such agreement, (B) pursuant to such agreement such holder shall agree that it will not sell, transfer or otherwise dispose of any such bond of Series J in respect of which any such payment or redemption shall have been made unless, prior to the delivery thereof by it, either (i) it shall have made a clear and accurate notation of the amount of

EXHIBIT D
(to Twelfth Supplemental Indenture)

principal so redeemed upon such bond to be transferred, or (ii) such bond of Series J shall have been presented to the Trustee for appropriate notation thereon of the portion of the principal amount thereof redeemed, or (iii) such bond or bonds of Series J shall have been surrendered in exchange for a new bond or bonds of Series J for the unredeemed balance of the principal amount thereof in accordance with the other terms of the Indenture and (C) in such agreement such holder shall agree that prior to receiving any final payment of the entire remaining unpaid principal amount of any Series J bond, the holder thereof shall be required to deliver such bond to the Trustee. For purposes of this Section 1.01, the term “*Institutional Holder*” shall mean any insurance company, bank, savings and loan association, trust company, investment company, charitable foundation, employee benefit plan (as defined in ERISA) or other institutional investor or financial institution. The text of the Series J Bonds and the Trustee’s certificate with respect thereto shall be respectively substantially of the tenor and purport set forth in Schedule A hereto. The Series J Bonds shall be numbered in such manner or by such method as shall be satisfactory to the Trustee.

The issue of bonds of Series J hereunder is hereby limited to the \$10,000,000 in aggregate principal amount of Series J Bonds initially issued under the Ninth Supplemental Indenture and to Series J Bonds issued in exchange or substitution for outstanding Series J Bonds under the provisions of Sections 2.08, 2.10, 2.11 and 7.05 of the Indenture and of Section 1.06 hereof.

Section 1.02. As a required sinking fund for the benefit of the Series J Bonds, the Company covenants that it will, on or prior to September 1 in each year, beginning with September 1, 2019, and continuing to and including September 1, 2028, pay to the Trustee immediately available funds sufficient to redeem, at par, Series J Bonds then outstanding, in the principal amount of One Million Dollars (\$1,000,000) (or the remaining principal amount if less than \$1,000,000 principal amount of Series J Bonds at the time remains outstanding). The payments required for the sinking fund as above provided are in this Section 1.02 and elsewhere in this Exhibit D referred to as “required sinking fund payments” and the day following the latest date on which each such payment is required to be made is herein and therein referred to as a “required sinking fund redemption date”. Each required sinking fund payment shall be applied to the redemption of Series J bonds on the applicable required sinking fund redemption date.

No redemption under Section 1.03, 1.04 or 1.05 hereof shall affect or reduce the obligation of the Company to provide for required sinking fund redemptions under this Section 1.02 until all Series J Bonds shall have been paid in full.

Section 1.03. In addition to the required sinking fund provided by Section 1.02 hereof, all of the bonds of Series J, or any part of the principal amount thereof constituting One Hundred Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, on any date on or after September 1, 1998 and before September 1, 2026, pursuant to the provisions of Article VII of the Indenture, and by payment of an amount equal to the Make Whole Amount, as defined below in this Section 1.03, determined five Business Days prior to such redemption. In addition to the foregoing, on any date on or after September 1, 2026, all of the bonds of Series J, or any part of the principal amount thereof constituting One Hundred Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, by payment of the interest accrued on the

principal amount of the bond or bonds optionally to be redeemed to the dates fixed for such redemption plus 100% of the principal amount thereof.

For purposes of this Section 1.03, the *Make Whole Amount* shall mean the greater of (i) the outstanding principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for such redemption, and (ii) the sum of (A) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed (taking into account each redemption required by Section 1.02 above) and the amount of interest (exclusive of interest accrued to the date fixed for such redemption) that would have been payable in respect of each such dollar if such redemption had not been made, determined by discounting such amounts at the Reinvestment Rate (as hereinafter defined) from the respective dates on which they would have been payable to the date of such redemption, plus (B) interest accrued on the bonds to be redeemed to the date fixed for such redemption.

For purposes of any determination of the Make Whole Amount:

"Reinvestment Rate" shall mean (1) the sum of 0.50%, *plus* the yield reported on page "USD" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in the United States government Securities) at 11:00 A.M. (Eastern time) on the fifth Business Day preceding the date the Make Whole Amount becomes due and payable pursuant to the foregoing provisions of this Section 1.03, for the United States government Securities having a maturity (rounded to the nearest month) corresponding to the remaining Weighted Average Life to Maturity of the principal of the bonds being redeemed (taking into account the application of each redemption required by Section 1.02) or (2) in the event that no nationally recognized trading screen reporting on-line intraday trading in the United States government Securities is available, Reinvestment Rate shall mean the sum of 0.50%, *plus* the arithmetic mean of the yields for the two columns under the heading *"Week Ending"* published on the fifth Business Day preceding the date the Make Whole Amount becomes due and payable pursuant to the foregoing provisions of this Section 1.03, in the Statistical Release under the caption *"Treasury Constant Maturities"* for the maturity (rounded to the nearest month) corresponding to the Weighted Average Life to Maturity of the principal amount of the bonds being redeemed (taking into account each redemption required by Section 1.02). If no maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two published maturities most closely corresponding to such Weighted Average Life to Maturity shall be calculated pursuant to the immediately preceding sentence, and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straightline basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make Whole Amount shall be used.

"Statistical Release" shall mean the then most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded U.S. Government Securities adjusted to constant maturities or, if such statistical release is not

published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66-2/3% in aggregate principal amount of outstanding Series J Bonds.

“Weighted Average Life to Maturity” of the principal amount of the bonds being redeemed shall mean, as of the time of any determination thereof, the number of years obtained by dividing the then Remaining Dollar-Years of such principal by the aggregate amount of such principal. The term *“Remaining Dollar-Years”* of such principal shall mean the amount obtained by (i) multiplying (x) the remainder of (1) the amount of principal that would have been payable on each scheduled redemption date under Section 1.02 hereof if the redemption pursuant to this Section 1.03 had not been made, less (2) the amount of principal on the bonds scheduled to become payable on each such redemption date under Section 1.02 after giving effect to the redemption pursuant to this Section 1.03, by (y) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination and each such scheduled redemption date under Section 1.02, and (ii) totaling the products obtained in (i).

Section 1.04. Series J Bonds may be redeemed pursuant to Article XI of the Indenture (i) out of Trust Moneys, required by Section 8.12 of the Indenture to be deposited with the Trustee, on any date and shall be redeemed for an amount equal to the principal amount of the bonds to be redeemed, plus interest accrued to the date of redemption; or (ii) out of Trust Moneys required by Sections 8.10, 10.03, 10.04 or 10.04A of the Indenture to be deposited with the Trustee, on any date and, if redeemed prior to September 1, 2026, then they shall be redeemed for an amount equal to the Make Whole Amount, as defined above in Section 1.03, and if redeemed on any date on or after September 1, 2026, then they shall be redeemed for an amount equal to the interest accrued on the principal amount of the bond or bonds to be redeemed to the date fixed for redemption, plus 100% of the principal amount thereof, for optional redemptions occurring on or after September 1, 2026.

Section 1.05. In the event that all or any part of the bonds of Series J shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such bonds of Series J shall be entitled to be paid an amount equal to the Make Whole Amount, if such redemption or discharge occurs prior to September 1, 2026, or, if such redemption or discharge occurs on or after September 1, 2026, then the registered owners of such bonds shall be entitled to be paid an amount equal to the interest accrued on the principal amount of the bonds to be redeemed to the date of redemption, plus 100% of the principal amount thereof.

Section 1.06. Bonds of Series J, upon surrender thereof at the principal office of the Trustee, may be exchanged for the same aggregate principal amount of other bonds of this Series.

Within a reasonable time after the receipt of a request for such an exchange, the Company shall issue and the Trustee shall authenticate and deliver all bonds required in connection therewith, and the Trustee shall make such exchange upon payment to it of such charge, if any, as is required by the following paragraph.

For any exchange of bonds of Series J, the Company, at its option, may require the payment of a sum sufficient to reimburse it for any stamp or other tax or governmental charge required to be paid by the Company or the Trustee.

ARTICLE TWO

REDEMPTION

Section 2.01. In the case of any required sinking fund redemption pursuant to Section 1.02 hereof, forthwith after the August 1 preceding each required sinking fund redemption date, and in the case of any proposed redemption pursuant to Sections 1.03 or 1.04, forthwith after the Trustee's receipt of proper notice from the Company of any such proposed redemption, the Trustee, pursuant to the provisions of Article VII of the Indenture.

The Company covenants that it will pay to the Trustee

(i) on or before the day prior to each required sinking fund redemption date, the sum required by Section 1.02 hereof,

(ii) on or before the day prior to the date proposed by the Company in a notice (which notice shall conform to the requirements of Article VII of the Indenture) of any redemption pursuant to Section 1.03 or 1.04 hereof, the amount payable in accordance with such notice, and

(iii) at the time of each required sinking fund redemption or other redemption the Company shall pay to the Trustee the amount of the charges which shall be due the Trustee and the amount of the expenses which the Trustee advises the Company it has incurred or will incur in connection with such redemption.

(FORM OF SERIES J BOND)

UNITIL ENERGY SYSTEMS, INC.

First Mortgage Bond, Series J, 6.96%
due September 1, 2028

No. JR-_____

\$_____

Unitil Energy Systems, Inc., a corporation organized under the laws of the State of New Hampshire (hereinafter called the "*Company*"), for value received, hereby promises to pay to _____ or registered assigns, on the first day of September, 2028, the principal sum of _____ Dollars (\$_____) and to pay interest thereon from the date hereof at the rate of six and ninety-six hundredths per centum (6.96%) per annum (computed on the basis of a thirty (30) day month and three hundred sixty (360) day year) payable quarterly in arrears on the first day of March, June, September and December in each year, commencing the first day of March, 2003, until said principal sum is paid; and to pay interest on any overdue principal (including any overdue prepayment of principal) and premium if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at the rate of 8.96% per annum. The principal of and premium if any, and the interest on this bond shall be payable at the corporate trust office in Boston, Massachusetts of U.S. Bank National Association, or at the corporate trust office designated by its successor as trustee in the trust hereinafter referred to, or at the option of certain holders, in accordance with the provisions of Section 1.01 of Exhibit D of the Twelfth Supplemental Indenture hereinafter referred to, in lawful money of the United States of America.

This bond is one of a duly authorized issue of First Mortgage Bonds of the Company limited as to aggregate principal amount as set forth in the Indenture hereinafter mentioned, issuable in series, and is one of a Series J known as First Mortgage Bonds, Series J, all bonds of all series being issued and to be issued under and pursuant to and all equally secured (except as any sinking or other fund, established in accordance with the provisions of the Indenture hereinafter mentioned, may afford additional security for the bonds of any particular series) by an Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (herein called the "*Original Indenture*") duly executed and delivered by the Company to Old Colony Trust Company (U.S. Bank National Association being successor Trustee and together with each predecessor trustee being called the "*Trustee*"), to which Original Indenture and to all Indentures supplemental thereto, including a Twelfth Supplemental Indenture (the "*Twelfth Supplemental Indenture*") dated as of December 2, 2002 (herein together called the "*Indenture*") reference is hereby made for a description of the property transferred, assigned and mortgaged thereunder, the nature and extent of the security, the terms and conditions upon which the bonds are secured and additional bonds may be issued and secured, and the rights of the holders or registered owners of said bonds, of the Trustee and of the Company in respect of such security. Neither the foregoing reference to the Indenture, nor any provision of this bond or of the Indenture, shall affect or impair the obligation of the Company, which is absolute, unconditional and unalterable, to pay, at the stated or accelerated maturities herein provided, the principal of and premium, if any, and interest on this bond as herein provided.

Schedule A

(to Exhibit D of the Twelfth Supplemental Indenture)

Bonds of this Series J are entitled to the benefit of a required sinking fund provided for in Exhibit D to the Twelfth Supplemental Indenture and shall become subject to redemption for the purposes of such sinking fund at the principal amount thereof without premium, plus interest accrued thereon to the date of such redemption, all on the conditions and in the manner provided in Exhibit D to the Twelfth Supplemental Indenture.

Bonds of this Series J are also redeemable, in whole or in part, in integral multiples of one hundred thousand dollars, at the option of the Company on any date on at least 30 days' notice, in the manner, with the effect, subject to the limitations and for the amounts specified in Section 1.03 of Exhibit D to the Twelfth Supplemental Indenture.

On the conditions and in the manner provided in the Section 1.04 of Exhibit D to the Twelfth Supplemental Indenture, Series J Bonds may also become subject to redemption, in whole or in part, at any time on at least 30 days' notice, in the manner, with the effect and for the amounts specified in said Section 1.04, by the use of moneys deposited with or paid to the Trustee as the proceeds of the sale or condemnation of property of the Company or as the proceeds of insurance policies deposited with or paid to the Trustee because of damage to or destruction of property of the Company.

In the event that all or any part of the bonds of this Series J shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such Series J Bonds shall be entitled to be paid therefor an amount specified in Section 1.05 of Exhibit D to the Twelfth Supplemental Indenture.

The Indenture provides that, if notice of redemption of any bond issued pursuant to its terms, including the Series J Bonds, or any portion of the principal amount of any such bond selected for redemption has been duly given, then such bond or such portion thereof shall become due and payable on the date fixed for redemption, and, if the redemption price shall have been duly deposited with the Trustee, interest thereon shall cease to accrue from and after the date fixed for redemption, and that whenever the redemption price thereof shall have been duly deposited with the Trustee and notice of redemption shall have been duly given, or provision therefor made as provided in the Indenture, such bond or such portion thereof shall no longer be entitled to any lien or benefit of the Indenture.

In case an Event of Default, as defined in the Indenture, occurs, the principal of this bond may become or may be declared due and payable prior to the stated maturity hereof in the manner and with the effect and subject to the conditions provided in the Indenture.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, upon books of the Company to be kept for that purpose at the corporate trust office of the Trustee under the Indenture, upon surrender thereof at said office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds, of like form and in an authorized denomination or in authorized

denominations and of the same series, for the same aggregate principal amount. Bonds of this series upon surrender thereof at said office may be exchanged for the same aggregate principal amount of bonds, also of this series but of another authorized denomination or other authorized denominations, all upon payment of the charges, if any, and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for all purposes.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, property may be released from the lien thereof, and the terms and provisions of the Indenture may be modified by the assent or authority of the holders of at least seventy-five per centum (75%) in principal amount of the bonds then outstanding thereunder, *provided, however*, that no such modification shall (i) extend the time or times or payment of the principal of, or the interest or premium, if any, on any bond, (ii) reduce the principal amount thereof or the rate of interest or premium thereon, (iii) authorize the creation of any lien prior or equal to the lien of the Indenture upon any property subject to the lien thereof, or deprive any bondholder of the benefit of the lien of the Indenture, (iv) affect the rights under the Indenture of the holders of one or more, but less than all, of the series of bonds outstanding thereunder unless assented to by the holders of seventy-five per centum (75%) in aggregate principal amount of bonds outstanding thereunder of each of the series so affected, (v) reduce the percentage of bonds, the holders of which are required to assent to any such modification, or (vi) in any manner affect the rights or obligations of the Trustee without its written consent thereto.

No recourse shall be had for the payment of the principal of or the interest on this bond, or of any claim based hereon or in respect hereof or of the Indenture, against any incorporator, stockholder, officer or director of the Company, or of any successor company, whether by virtue of any statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being by the acceptance hereof expressly waived and released and being also waived and released by the terms of the Indenture.

This bond shall not be valid nor become obligatory for any purpose until it shall have been authenticated by the execution of the certificate hereon endorsed by the Trustee under the Indenture.

IN WITNESS WHEREOF, Unitil Energy Systems, Inc. has caused this bond to be signed in its name by its President or one of its Vice Presidents and its corporate seal to be hereunto affixed and attested by its Treasurer, and this bond to be dated the _____, _____.

UNITIL ENERGY SYSTEMS, INC.

By _____
President

ATTEST: _____
Treasurer

(Corporate Seal)

(Form of Trustee's Certificate for all Bonds of Series J)

Trustee's Certificate of Authentication

This is one of the First Mortgage Bonds, Series J, referred to in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION

By _____
Authorized Officer

(FORM OF ENDORSEMENT)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within bond, and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said bond on the books of the Company, with full power of substitution in the premises.

Signature of Registered Owner

Dated: _____

In the presence

of: _____

NOTICE: The signature of this assignment must correspond with the name of the payee as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

SERIES K BONDS

The terms and provisions of the Series K, 8.00% Bonds of the Company which were set forth in the Eleventh Supplemental Indenture, have been amended and restated in this Exhibit E, which shall from and after the Merger Date control the terms and conditions of such Series K, 8.00 % Bonds, and the Eleventh Supplemental Indenture shall have no further force or effect with respect to such terms and conditions.

All things have been done and performed which are necessary to make the Series K Bonds, when authenticated by the Trustee and issued as herein provided, legal valid and binding obligations of the Company;

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED, as set forth in the following-covenants, agreements, conditions and provisions, to wit:

ARTICLE ONE

AMENDMENT AND RESTATEMENT OF SERIES K BONDS

Section 1.01. There is hereby amended and restated the series of bonds heretofore designated as and entitled "First Mortgage Bonds, Series K." Series K Bonds shall be fully registered bonds, of the denomination of \$1,000 and multiples thereof. The registered bonds of Series K issued after the Merger Date shall be dated as provided in Section 2.03 of the Indenture. All Series K Bonds shall mature on May 1, 2031 and shall bear interest at the rate of eight percent (8.00%) per annum from their respective dates of issue, such interest to be payable quarterly in arrears on the first day of February, May, August and November each year commencing the first day of February, 2003, and shall bear interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at the rate of 10.00% per annum. The principal of, premium if any, and interest on bonds of Series K shall be payable at the corporate trust office in Boston, Massachusetts of U.S. Bank National Association or at the corporate trust office designated by its successor as Trustee hereunder, in lawful money of the United States of America *provided* that the Company may enter into a written agreement with any registered Institutional Holder of the bonds of Series K providing that payment of interest thereon and of the redemption price on any portion of the principal amount thereof (including premium, if any) which may be redeemed shall be made directly to such holder or to its nominee, as the case may be, at a duly designated place of payment within the United States, without surrender or presentation of such bonds of Series K to the Trustee, *provided* that (A) there shall have been filed with the Trustee a copy of such agreement, (B) pursuant to such agreement such holder shall agree that it will not sell, transfer or otherwise dispose of any such bond of Series K in respect of which any such payment or redemption shall have been made unless, prior to the delivery thereof by it, either (i) it shall have made a clear and accurate notation of the amount of principal so redeemed upon such bond to be transferred, or (ii) such bond of Series K shall have

been presented to the Trustee for appropriate notation thereon of the portion of the principal amount thereof redeemed, or (iii) such bond or bonds of Series K shall have been surrendered in exchange for a new bond or bonds of Series K for the unredeemed balance of the principal amount thereof in accordance with the other terms of the Indenture and (C) in such agreement such holder shall agree that prior to receiving any final payment of the entire remaining unpaid principal amount of any Series K bond, the holder thereof shall be required to deliver such bond to the Trustee. For purposes of this Section 1.01, the term “*Institutional Holder*” shall mean any insurance company, bank, savings and loan association, trust company, investment company, charitable foundation, employee benefit plan (as defined in ERISA) or other institutional investor or financial institution. The text of the Series K Bonds and the Trustee’s certificate with respect thereto shall be respectively substantially of the tenor and purport set forth in Schedule A hereto. The Series K Bonds shall be numbered in such manner or by such method as shall be satisfactory to the Trustee.

The issue of bonds of Series K hereunder is hereby limited to the \$7,500,000 in aggregate principal amount of Series K Bonds initially issued under the Eleventh Supplemental Indenture and to Series K Bonds issued in exchange or substitution for outstanding Series K Bonds under the provisions of Section 2.08, 2.10, 2.11 and 7.05 of the Indenture and of Section 1.06 hereof.

Section 1.02. As a required sinking fund for the benefit of the Series K Bonds, the Company covenants that it will, on or prior to May 1 in each year, beginning with May 1, 2022, and continuing to and including May 1, 2031, pay to the Trustee immediately available funds sufficient to redeem, at par, Series K Bonds then outstanding, in the principal amount of Seven Hundred Fifty Thousand Dollars (\$750,000) (or the remaining principal amount if less than \$750,000 principal amount of Series K Bonds at the time remains outstanding). The payments required for the sinking fund as above provided are in this Section 1.02 and elsewhere in this Exhibit E referred to as “required sinking fund payments” and the day following the latest date on which each such payment is required to be made is herein and therein referred to as a “required sinking fund redemption date”. Each required sinking fund payment shall be applied to the redemption of Series K Bonds on the applicable required sinking fund redemption date.

No redemption under Section 1.03, 1.04 or 1.05 hereof shall affect or reduce the obligation of the Company to provide for required sinking fund redemptions under this Section 1.02 until all Series K Bonds shall have been paid in full.

Section 1.03. In addition to the required sinking fund provided by Section 1.02 hereof, all of the bonds of Series K, or any part of the principal amount thereof constituting One Hundred Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, on any date on or after May 1, 2001 and before May 1, 2029, pursuant to the provisions of Article VII of the Indenture, and by payment of an amount equal to the Make Whole Amount, as defined below in this Section 1.03, determined five Business Days prior to such redemption. In addition to the foregoing, on any date on or after May 1, 2029, all of the bonds of Series K, or any part of the principal amount thereof constituting One Hundred Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, by payment of the interest accrued on the principal amount of the

bond or bonds optionally to be redeemed to the dates fixed for such redemption plus 100% of the principal amount thereof.

For purposes of this Section 1.03, the *Make Whole Amount* shall mean the greater of (i) the outstanding principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for such redemption, and (ii) the sum of (A) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed (taking into account each redemption required by Section 1.02 above) and the amount of interest (exclusive of interest accrued to the date fixed for such redemption) that would have been payable in respect of each such dollar if such redemption had not been made, determined by discounting such amounts at the Reinvestment Rate (as hereinafter defined) from the respective dates on which they would have been payable to the date of such redemption, plus (B) interest accrued on the bonds to be redeemed to the date fixed for such redemption.

For purposes of any determination of the Make Whole Amount:

"Reinvestment Rate" shall mean (1) the sum of 0.50%, *plus* the yield reported on page "USD" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in the United States government Securities) at 11:00 A.M. (Eastern time) on the fifth Business Day preceding the date the Make Whole Amount becomes due and payable pursuant to the foregoing provisions of this Section 1.03, for the United States government Securities having a maturity (rounded to the nearest month) corresponding to the remaining Weighted Average Life to Maturity of the principal of the bonds being redeemed (taking into account the application of each redemption required by Section 1.02) or (2) in the event that no nationally recognized trading screen reporting on-line intraday trading in the United States government Securities is available, Reinvestment Rate shall mean the sum of 0.50%, *plus* the arithmetic mean of the yields for the two columns under the heading *"Week Ending"* published on the fifth Business Day preceding the date the Make Whole Amount becomes due and payable pursuant to the foregoing provisions of this Section 1.03, in the Statistical Release under the caption *"Treasury Constant Maturities"* for the maturity (rounded to the nearest month) corresponding to the Weighted Average Life to Maturity of the principal amount of the bonds being redeemed (taking into account each redemption required by Section 1.02). If no maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two published maturities most closely corresponding to such Weighted Average Life to Maturity shall be calculated pursuant to the immediately preceding sentence, and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straightline basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make Whole Amount shall be used.

"Statistical Release" shall mean the then most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded U.S. Government Securities adjusted to constant maturities or, if such statistical release is not

published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66-2/3% in aggregate principal amount of outstanding Series K Bonds.

“Weighted Average Life to Maturity” of the principal amount of the bonds being redeemed shall mean, as of the time of any determination thereof, the number of years obtained by dividing the then Remaining Dollar-Years of such principal by the aggregate amount of such principal. The term *“Remaining Dollar-Years”* of such principal shall mean the amount obtained by (i) multiplying (x) the remainder of (1) the amount of principal that would have been payable on each scheduled redemption date under Section 1.02 hereof if the redemption pursuant to this Section 1.03 had not been made, less (2) the amount of principal on the bonds scheduled to become payable on each such redemption date under Section 1.02 after giving effect to the redemption pursuant to this Section 1.03, by (y) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination and each such scheduled redemption date under Section 1.02, and (ii) totaling the products obtained in (i).

Section 1.04. Series K Bonds may be redeemed pursuant to Article XI of the Indenture (i) out of Trust Moneys, required by Section 8.12 of the Indenture to be deposited with the Trustee, on any date and shall be redeemed for an amount equal to the principal amount of the bonds to be redeemed, plus interest accrued to the date of redemption; or (ii) out of Trust Moneys required by Sections 8.10, 10.03, 10.04 or 10.04A of the Indenture to be deposited with the Trustee, on any date and, if redeemed prior to May 1, 2029, then they shall be redeemed for an amount equal to the Make Whole Amount, as defined above in Section 1.03, and if redeemed on any date on or after May 1, 2029, then they shall be redeemed for an amount equal to the interest accrued on the principal amount of the bond or bonds to be redeemed to the date fixed for redemption, plus 100% of the principal amount thereof, for optional redemptions occurring on or after May 1, 2029.

Section 1.05. In the event that all or any part of the bonds of Series K shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such bonds of Series K shall be entitled to be paid an amount equal to the Make Whole Amount, if such redemption or discharge occurs prior to May 1, 2029, or, if such redemption or discharge occurs on or after May 1, 2029, then the registered owners of such bonds shall be entitled to be paid an amount equal to the interest accrued on the principal amount of the bonds to be redeemed to the date of redemption, plus 100% of the principal amount thereof.

Section 1.06. Bonds of Series K, upon surrender thereof at the principal office of the Trustee, may be exchanged for the same aggregate principal amount of other bonds of this Series.

Within a reasonable time after the receipt of a request for such an exchange, the Company shall issue and the Trustee shall authenticate and deliver all bonds required in connection therewith, and the Trustee shall make such exchange upon payment to it of such charge, if any, as is required by the following paragraph.

For any exchange of bonds of Series K, the Company, at its option, may require the payment of a sum sufficient to reimburse it for any stamp or other tax or governmental charge required to be paid by the Company or the Trustee.

ARTICLE TWO

REDEMPTION

Section 2.01. In the case of any required sinking fund redemption pursuant to Section 1.02 hereof, forthwith after the April 1 preceding each required sinking fund redemption date, and in the case of any proposed redemption pursuant to Sections 1.03 or 1.04, forthwith after the Trustee's receipt of proper notice from the Company of any such proposed redemption, the Trustee, pursuant to the provisions of Article VII of the Indenture.

The Company covenants that it will pay to the Trustee

(i) on or before the day prior to each required sinking fund redemption date, the sum required by Section 1.02 hereof,

(ii) on or before the day prior to the date proposed by the Company in a notice (which notice shall conform to the requirements of Article VII of the Indenture) of any redemption pursuant to Section 1.03 or 1.04 hereof, the amount payable in accordance with such notice, and

(iii) at the time of each required sinking fund redemption or other redemption the Company shall pay to the Trustee the amount of the charges which shall be due the Trustee and the amount of the expenses which the Trustee advises the Company it has incurred or will incur in connection with such redemption.

(FORM OF SERIES K BOND)

UNITIL ENERGY SYSTEMS, INC.

First Mortgage Bond, Series K, 8.00%
due May 1, 2031

No. KR- _____ \$ _____

Unitil Energy Systems, Inc., a corporation organized under the laws of the State of New Hampshire (hereinafter called the "*Company*"), for value received, hereby promises to pay to _____ or registered assigns, on the first day of May, 2031, the principal sum of _____ Dollars (\$ _____) and to pay interest thereon from the date hereof at the rate of eight per centum (8.00%) per annum (computed on the basis of a thirty (30) day month and three hundred sixty (360) day year) payable quarterly in arrears on the first day of February, May, August and November each year, commencing the first day of February, 2003, until said principal sum is paid; and to pay interest on any overdue principal (including any overdue prepayment of principal) and premium if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at the rate of 10.00% per annum. The principal of and premium if any, and the interest on this bond shall be payable at the corporate trust office in Boston, Massachusetts of U.S. Bank National Association, or at the corporate trust office designated by its successor as trustee in the trust hereinafter referred to, or at the option of certain holders, in accordance with the provisions of Section 1.01 of Exhibit E of the Twelfth Supplemental Indenture hereinafter referred to, in lawful money of the United States of America.

This bond is one of a duly authorized issue of First Mortgage Bonds of the Company limited as to aggregate principal amount as set forth in the Indenture hereinafter mentioned, issuable in series, and is one of a Series K known as First Mortgage Bonds, Series K, all bonds of all series being issued and to be issued under and pursuant to and all equally secured (except as any sinking or other fund, established in accordance with the provisions of the Indenture hereinafter mentioned, may afford additional security for the bonds of any particular series) by an Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (herein called the "*Original Indenture*") duly executed and delivered by the Company to Old Colony Trust Company (U.S. Bank National Association being successor Trustee and together with each predecessor trustee being called the "*Trustee*"), to which Original Indenture and to all Indentures supplemental thereto, including a Twelfth Supplemental Indenture (the "*Twelfth Supplemental Indenture*") dated as of December 2, 2002 (herein together called the "*Indenture*") reference is hereby made for a description of the property transferred, assigned and mortgaged thereunder, the nature and extent of the security, the terms and conditions upon which the bonds are secured and additional bonds may be issued and secured, and the rights of the holders or registered owners of said bonds, of the Trustee and of the Company in respect of such security. Neither the foregoing reference to the Indenture, nor any provision of this bond or of the Indenture, shall affect or impair the obligation of the Company, which is absolute, unconditional and unalterable, to pay,

at the stated or accelerated maturities herein provided, the principal of and premium, if any, and interest on this bond as herein provided.

Bonds of this Series K are entitled to the benefit of a required sinking fund provided for in Exhibit E to the Twelfth Supplemental Indenture and shall become subject to redemption for the purposes of such sinking fund at the principal amount thereof without premium, plus interest accrued thereon to the date of such redemption, all on the conditions and in the manner provided in Exhibit E to the Twelfth Supplemental Indenture.

Bonds of this Series K are also redeemable, in whole or in part, in integral multiples of one hundred thousand dollars, at the option of the Company on any date on at least 30 days' notice, in the manner, with the effect, subject to the limitations and for the amounts specified in Section 1.03 of Exhibit E to the Twelfth Supplemental Indenture.

On the conditions and in the manner provided in the Section 1.04 of Exhibit E to the Twelfth Supplemental Indenture, Series K bonds may also become subject to redemption, in whole or in part, at any time on at least 30 days' notice, in the manner, with the effect and for the amounts specified in said Section 1.04, by the use of moneys deposited with or paid to the Trustee as the proceeds of the sale or condemnation of property of the Company or as the proceeds of insurance policies deposited with or paid to the Trustee because of damage to or destruction of property of the Company.

In the event that all or any part of the bonds of this Series K shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such Series K bonds shall be entitled to be paid therefor an amount specified in Section 1.05 of Exhibit E to the Twelfth Supplemental Indenture.

The Indenture provides that, if notice of redemption of any bond issued pursuant to its terms, including the Series K bonds, or any portion of the principal amount of any such bond selected for redemption has been duly given, then such bond or such portion thereof shall become due and payable on the date fixed for redemption, and, if the redemption price shall have been duly deposited with the Trustee, interest thereon shall cease to accrue from and after the date fixed for redemption, and that whenever the redemption price thereof shall have been duly deposited with the Trustee and notice of redemption shall have been duly given, or provision therefor made as provided in the Indenture, such bond or such portion thereof shall no longer be entitled to any lien or benefit of the Indenture.

In case an Event of Default, as defined in the Indenture, occurs, the principal of this bond may become or may be declared due and payable prior to the stated maturity hereof in the manner and with the effect and subject to the conditions provided in the Indenture.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, upon books of the Company to be kept for that purpose at the corporate trust office of the Trustee under the Indenture, upon surrender thereof at said office for cancellation and upon

presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds, of like form and in an authorized denomination or in authorized denominations and of the same series, for the same aggregate principal amount. Bonds of this series upon surrender thereof at said office may be exchanged for the same aggregate principal amount of bonds, also of this series but of another authorized denomination or other authorized denominations, all upon payment of the charges, if any, and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for all purposes.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, property may be released from the lien thereof, and the terms and provisions of the Indenture may be modified by the assent or authority of the holders of at least seventy-five per centum (75%) in principal amount of the bonds then outstanding thereunder, *provided, however*, that no such modification shall (i) extend the time or times or payment of the principal of, or the interest or premium, if any, on any bond, (ii) reduce the principal amount thereof or the rate of interest or premium thereon, (iii) authorize the creation of any lien prior or equal to the lien of the Indenture upon any property subject to the lien thereof, or deprive any bondholder of the benefit of the lien of the Indenture, (iv) affect the rights under the Indenture of the holders of one or more, but less than all, of the series of bonds outstanding thereunder unless assented to by the holders of seventy-five per centum (75%) in aggregate principal amount of bonds outstanding thereunder of each of the series so affected, (v) reduce the percentage of bonds, the holders of which are required to assent to any such modification, or (vi) in any manner affect the rights or obligations of the Trustee without its written consent thereto.

No recourse shall be had for the payment of the principal of or the interest on this bond, or of any claim based hereon or in respect hereof or of the Indenture, against any incorporator, stockholder, officer or director of the Company, or of any successor company, whether by virtue of any statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being by the acceptance hereof expressly waived and released and being also waived and released by the terms of the Indenture.

This bond shall not be valid nor become obligatory for any purpose until it shall have been authenticated by the execution of the certificate hereon endorsed by the Trustee under the Indenture.

IN WITNESS WHEREOF, Unitil Energy Systems, Inc. has caused this bond to be signed in its name by its President or one of its Vice Presidents and its corporate seal to be hereunto affixed and attested by its Treasurer, and this bond to be dated the _____ day of _____, _____.

UNITIL ENERGY SYSTEMS, INC.

By _____
President

ATTEST: _____
Treasurer

(Corporate Seal)

(Form of Trustee's Certificate for all Bonds of Series K)

Trustee's Certificate of Authentication

This is one of the First Mortgage Bonds, Series K, referred to in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Officer

(FORM OF ENDORSEMENT)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within bond, and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said bond on the books of the Company, with full power of substitution in the premises.

Signature of Registered Owner

Dated: _____

In the presence
of: _____

NOTICE: The signature of this assignment must correspond with the name of the payee as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

SERIES L BONDS

As a result of the Merger of Exeter into the Company on the Merger Date, as more fully described in the Twelfth Supplemental Indenture, \$9,000,000 aggregate principal amount of the Exeter Series K, 8.49% Bonds due October 14, 2024 (the "*Exeter Series K Bonds*") issued under the Exeter Indenture are being exchanged as of the Merger Date by the holder thereof for Bonds issued under the Indenture containing substantially the same terms and provisions as the Exeter Series K Bonds which are the Company's Series L, 8.49% Bonds due October 14, 2024 (the "*Series L Bonds*"). Accordingly, the provisions for the issuance of \$9,000,000 aggregate principal amount of the Company's Series L Bonds and the terms and provisions thereof are hereinafter set forth.

All things have been done and performed which are necessary to make the Series L Bonds, when authenticated by the Trustee and issued as herein provided, legal, valid and binding obligations of the Company;

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED, as set forth in the following covenants, agreements, conditions and provisions, to wit:

ARTICLE ONE CREATION OF SERIES L BONDS

Section 1.01. There shall be and is hereby created an additional series of bonds designated as and entitled "First Mortgage Bonds, Series L." Series L Bonds shall be fully registered bonds, of the denomination of \$1,000 and multiples thereof. The registered bonds of Series L originally issued shall be dated as provided in Article III of the Indenture and any bonds of Series L subsequently issued shall be dated as provided in Section 2.03 of the Indenture. All Series L Bonds shall mature on October 14, 2024 and shall bear interest at the rate of eight and forty-nine one hundredths percent (8.49%) per annum from their respective dates of issue, such interest to be payable semi-annually on the fourteenth day of April and the fourteenth day of October in each year commencing the fourteenth day of April, 2003, and shall bear interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at the rate of 9.49% per annum. The principal of, premium, if any, and interest on bonds of Series L shall be payable at the corporate trust office of in Boston, Massachusetts of U.S. Bank National Association or at the corporate trust office designated by its successor as Trustee hereunder, in lawful money of the United States of America, *provided* that the Company may enter into a written agreement with any registered Institutional Holder of the bonds of Series L providing that payment of interest thereon and of the redemption price on any portion of the principal amount thereof (including premium, if any) which may be redeemed shall be made directly to such holder or to its nominee, as the case may be, at a duly designated place of payment within the United States, without surrender or presentation of such bonds of Series L to the Trustee, *provided* that (A) there shall have been filed with the Trustee a copy of such agreement and (B) pursuant to such agreement such holder shall agree that it will not sell, transfer or otherwise dispose of any such bond of

Series L in respect of which any such payment or redemption shall have been made unless, prior to the delivery thereof by it, either (i) it shall have made a clear and accurate notation of the amount of principal so redeemed upon such bond to be transferred, or (ii) such bond of Series L shall have been presented to the Trustee for appropriate notation thereon of the portion of the principal amount thereof redeemed, or (iii) such bond or bonds of Series L shall have been surrendered in exchange for a new bond or bonds of Series L for the unredeemed balance of the principal amount thereof in accordance with the other terms of the Indenture and (C) in such agreement such holder shall agree that prior to receiving any final payment of the entire remaining unpaid principal amount of any Series L bond, the holder thereof shall be required to deliver such bond to the Trustee. For purposes of this Section 1.01, the term “*Institutional Holder*” shall mean any insurance company, bank, savings and loan association, trust company, investment company, charitable foundation, employee benefit plan (as defined in ERISA) or other institutional investor or financial institution. The text of the Series L Bonds and the Trustee’s certificate with respect thereto shall be respectively substantially of the tenor and purport set forth in Schedule A hereto. The Series L Bonds shall be numbered in such manner or by such method as shall be satisfactory to the Trustee.

The issue of bonds of Series L hereunder is hereby limited to the \$9,000,000 in aggregate principal amount of Series L Bonds initially issued as provided in Section 1.08 hereof and to Series L Bonds issued in exchange or substitution for outstanding Series L Bonds under the provisions of Sections 2.08, 2.10, 2.11 and 7.05 of the Indenture and of Section 1.07 hereof.

Section 1.02. As a required sinking fund for the benefit of the Series L Bonds, the Company covenants that it will, on or prior to October 13 in each year, beginning with October 13, 2015, and continuing to and including October 13, 2024, pay to the Trustee immediately available funds sufficient to redeem, at par, Series L Bonds then outstanding, in the principal amount of Nine Hundred Thousand Dollars (\$900,000) (or the remaining principal amount if less than \$900,000 principal amount of Series L Bonds at the time remains outstanding). The payments required for the sinking fund as above provided are in this Section 1.02 and elsewhere in this Exhibit F referred to as “required sinking fund payments” and the day following the latest date on which each such payment is required to be made is herein and therein referred to as a “required sinking fund redemption date.” Each required sinking fund payment shall be applied to the redemption of Series L Bonds on the applicable required sinking fund redemption date.

No redemption under Section 1.03, 1.04, 1.05 or 1.06 hereof shall affect or reduce the obligation of the Company to provide for required sinking fund redemptions under this Section 1.02 until all Series L Bonds shall have been paid in full.

Section 1.03. At the same time it makes any required sinking fund payment, the Company shall have the option (which shall be non-cumulative) to pay to the Trustee, in immediately available funds, an additional principal amount of Nine Hundred Thousand Dollars (\$900,000) (in this Section 1.03 and elsewhere in this Exhibit F to the Twelfth Supplemental Indenture referred to as an “*optional sinking fund payment*”), *provided*, that the cumulative amount of all optional sinking fund payments pursuant to this Section 1.03 shall not exceed One Million Eight Hundred Thousand Dollars (\$1,800,000) and each such optional sinking fund payment shall be

applied to the redemption of Series L Bonds on the required sinking fund redemption date for such required sinking fund payment. The Company will give notice, by registered mail, postage prepaid, to the Trustee and to each registered owner of a bond of Series L of any required or optional payment to be made pursuant to Section 1.02, this Section 1.03, Section 1.04 or Section 1.05 hereof not more than 60, nor less than 30, days prior to the required sinking fund redemption date (or other designated date of redemption in the case of a redemption pursuant to Section 1.04 or Section 1.05).

Section 1.04. In addition to the required and optional sinking funds provided by Sections 1.02 and 1.03 hereof, all of the bonds of Series L, or any part of the principal amount thereof constituting One Hundred Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, on any date on or after October 14, 1994 and before October 14, 2019, pursuant to the provisions of Article VII of the Indenture, and by payment of an amount equal to the Make Whole Amount, as defined below in this Section 1.04, determined five Business Days prior to such redemption. In addition to the foregoing, on any date on or after October 14, 2019, all of the bonds of Series L, or any part of the principal amount thereof constituting One Hundred Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, by payment of the interest accrued on the principal amount of the bond or bonds optionally to be redeemed to the date fixed for such redemption plus an amount equal to the applicable percentage of the principal amount thereof as follows:

DATE FIXED FOR REDEMPTION	APPLICABLE PERCENTAGE
If redeemed on or after October 14, 2019 and before October 14, 2020	101.5%
On or after October 14, 2020 and before October 14, 2021	101.0%
On or after October 14, 2021 and before October 14, 2022	100.5%
On or after October 14, 2022 and prior to maturity	100%

For purposes of this Section 1.04, the Make Whole Amount shall mean the greater of (i) the outstanding principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for such redemption, and (ii) the sum of (A) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed (taking into account each redemption required by Section 1.02 above) and the amount of interest (exclusive of interest accrued to the date fixed for such redemption) that would have been payable in respect of each such dollar if such redemption had not been made, determined by discounting such amounts at the Reinvestment Rate (as hereinafter defined) from the respective dates on which they would have been payable to the date of such redemption, plus (B) interest accrued on the bonds to be redeemed to the date fixed for such redemption.

For purposes of any determination of the Make Whole Amount:

“*Reinvestment Rate*” shall mean (1) the sum of 0.50%, *plus* the yield reported on page “USD” of the Bloomberg Financial Markets Services Screen (or, if not available,

any other nationally recognized trading screen reporting on-line intraday trading in the United States government Securities) at 11:00 A.M. (Eastern time) on the fifth Business Day preceding the date the Make Whole Amount becomes due and payable pursuant to the foregoing provisions of this Section 1.04 for the United States government Securities having a maturity (rounded to the nearest month) corresponding to the remaining Weighted Average Life to Maturity of the principal of the bonds being redeemed (taking into account the application of each redemption required by Section 1.02) or (2) in the event that no nationally recognized trading screen reporting on-line intraday trading in the United States government Securities is available, Reinvestment Rate shall mean the sum of 0.50%, *plus* the arithmetic mean of the yields for the two columns under the heading “*Week Ending*” published on the fifth Business Day preceding the date the Make Whole Amount becomes due and payable pursuant to the foregoing provisions of this Section 1.04 in the Statistical Release under the caption “*Treasury Constant Maturities*” for the maturity (rounded to the nearest month) corresponding to the Weighted Average Life to Maturity of the principal amount of the bonds being redeemed (taking into account each redemption required by Section 1.02). If no maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two published maturities most closely corresponding to such Weighted Average Life to Maturity shall be calculated pursuant to the immediately preceding sentence, and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straightline basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make Whole Amount shall be used.

“*Statistical Release*” shall mean the then most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded U.S. Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66-2/3% in aggregate principal amount of outstanding Series L bonds.

“*Weighted Average Life to Maturity*” of the principal amount of the bonds being redeemed shall mean, as of the time of any determination thereof, the number of years obtained by dividing the then Remaining Dollar-Years of such principal by the aggregate amount of such principal. The term “*Remaining Dollar-Years*” of such principal shall mean the amount obtained by (i) multiplying (x) the remainder of (1) the amount of principal that would have been payable on each scheduled redemption date under Section 1.02 hereof if the redemption pursuant to this Section 1.04 had not been made, less (2) the amount of principal on the bonds scheduled to become payable on each such redemption date under Section 1.02 after giving effect to the redemption pursuant to this Section 1.04, by (y) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination and each such scheduled redemption date under Section 1.02, and (ii) totaling the products obtained in (i).

Section 1.05. Series L Bonds may be redeemed pursuant to Article XI of the Indenture (i) out of Trust Moneys, required by Section 8.12 of the Indenture to be deposited with the Trustee, on any date and shall be redeemed for an amount equal to the principal amount of the bonds to be redeemed, plus interest accrued to the date of redemption; or (ii) out of Trust Moneys required by Sections 8.10, 10.03, 10.04 or 10.04A of the Indenture to be deposited with the Trustee, on any date and, if redeemed prior to October 14, 2019, then they shall be redeemed for an amount equal to the Make Whole Amount, as defined above in Section 1.04, and if redeemed on any date on or after October 14, 2019, then they shall be redeemed for an amount equal to the interest accrued on the principal amount of the bond or bonds to be redeemed to the date fixed for redemption, plus an amount equal to the applicable percentage of the principal amount thereof set forth in Section 1.04, above, for optional redemptions occurring on or after October 14, 2019.

Section 1.06. In the event that all or any part of the bonds of Series L shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such bonds of Series L shall be entitled to be paid an amount equal to the Make Whole Amount, if such redemption or discharge occurs prior to October 14, 2019, or, if such redemption or discharge occurs on or after October 14, 2019, then the registered owners of such bonds shall be entitled to be paid an amount equal to the interest accrued on the principal amount of the bonds to be redeemed to the date of redemption, plus an amount equal to the then applicable percentage of the principal amount thereof provided in Section 1.04, above, for optional redemptions after such date.

Section 1.07. Bonds of Series L, upon surrender thereof at the principal office of the Trustee, may be exchanged for the same aggregate principal amount of other bonds of this Series.

Within a reasonable time after the receipt of a request for such an exchange, the Company shall issue and the Trustee shall authenticate and deliver all bonds required in connection therewith, and the Trustee shall make such exchange upon payment to it of such charge, if any, as is required by the following paragraph.

For any exchange of bonds of Series L, the Company, at its option, may require the payment of a sum sufficient to reimburse it for any stamp or other tax or governmental charge required to be paid by the Company or the Trustee.

Section 1.08. Upon execution of this Twelfth Supplemental Indenture and subject to the provisions of Article III of the Indenture and upon compliance with the applicable provisions of Article IV of the Indenture, the Company shall execute and deliver to the Trustee, and the Trustee shall authenticate and deliver to or upon the order of the Company, bonds of the Series L in the form set forth in Schedule A hereto in the aggregate principal amount of Nine Million Dollars (\$9,000,000).

ARTICLE TWO REDEMPTION

Section 2.01. In the case of any required or optional sinking fund redemption pursuant to Sections 1.02 and 1.03 hereof, forthwith after the September 14 preceding each required sinking fund redemption date, and in the case of any proposed redemption pursuant to Sections 1.04 or 1.05, forthwith after the Trustee's receipt of proper notice from the Company of any such proposed redemption, the Trustee, shall act in accordance with the provisions of Article VII of the Indenture.

The Company covenants that it will pay to the Trustee

(i) on or before the day prior to each required sinking fund redemption date, the sum required by Section 1.02 hereof, plus the sum, if any, payable in accordance with any notice of optional redemption delivered prior to such required sinking fund redemption date pursuant to Section 1.03 hereof,

(ii) on or before the day prior to the date proposed by the Company in a notice (which notice shall conform to the requirements of Article VII of the Indenture) of any redemption pursuant to Section 1.04 or 1.05 hereof, the amount payable in accordance with such notice, and

(iii) at the time of each required sinking fund redemption or other redemption the Company shall pay to the Trustee the amount of charges which shall be due the Trustee and the amount of the expenses which the Trustee advised the Company it has incurred or will incur in connection with such redemption.

(FORM OF SERIES L BOND)

UNITIL ENERGY SYSTEMS, INC.

No. LR-_____

\$_____

**First Mortgage Bond, Series L, 8.49%
due October 14, 2024**

Unitil Energy Systems, Inc., a corporation organized under the laws of the State of New Hampshire (hereinafter called the "*Company*"), for value received, hereby promises to pay to _____ or registered assigns, on the fourteenth day of October, 2024, the principal sum of _____ Dollars (\$_____) and to pay interest thereon from the date hereof at the rate of eight and forty-nine hundredths per centum (8.49%) per annum (computed on the basis of a thirty (30) day month and three hundred sixty (360) day year) payable semi-annually on the fourteenth day of April and the fourteenth day of October in each year, commencing the fourteenth day of April, 2003, until said principal sum is paid; and to pay interest on any overdue principal (including any overdue prepayment of principal) and premium if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at the rate of 9.49% per annum. The principal of and premium, if any, and the interest on this bond shall be payable at the corporate trust office in Boston, Massachusetts or U.S. Bank National Association, or at the corporate trust office designated by its successor as trustee in the trust hereinafter referred to, or at the option of certain holders, in accordance with the provisions of Section 1.01 of Exhibit F of the Twelfth Supplemental Indenture hereinafter referred to, in lawful money of the United States of America.

This bond is one of a duly authorized issue of First Mortgage Bonds of the Company limited as to aggregate principal amount as set forth in the Indenture hereinafter mentioned, issuable in series, and is one of a series known as First Mortgage Bonds, Series L, all bonds of all series being issued and to be issued under and pursuant to and all equally secured (except as any sinking or other fund, established in accordance with the provisions of the Indenture hereinafter mentioned, may afford additional security for the bonds of any particular series) by an Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (herein called the "*Original Indenture*") duly executed and delivered by the Company to Old Colony Trust Company (U.S. Bank National Association being successor Trustee and together with each predecessor trustee being called the "*Trustee*"), to which Original Indenture and to all Indentures supplemental thereto, including a Twelfth Supplemental Indenture (the "*Twelfth Supplemental Indenture*") dated as of December 2, 2002 (herein together called the "*Indenture*") reference is hereby made for a description of the property transferred, assigned and mortgaged thereunder, the nature and extent of the security, the terms and conditions upon which the bonds are secured and additional bonds may be issued and secured, and the rights of the holders or registered owners of said bonds, of the Trustee and of the Company in respect of such security. Neither the foregoing reference to the Indenture, nor any provision of this bond or of the Indenture, shall affect or impair the obligation of the Company, which is absolute, unconditional and unalterable, to pay,

at the stated or accelerated maturities herein provided, the principal of and premium, if any, and interest on this bond as herein provided.

Bonds of this Series L are entitled to the benefit of a required sinking fund and an optional sinking fund provided for in Exhibit F to the Twelfth Supplemental Indenture and shall become subject to redemption for the purposes of such sinking funds at the principal amount thereof without premium, plus interest accrued thereon to the date of such redemption, all on the conditions and in the manner provided in Exhibit F to the Twelfth Supplemental Indenture.

Bonds of this Series L are also redeemable, in whole or in part, in integral multiples of one hundred thousand dollars, at the option of the Company on any date on at least 30 days' notice, in the manner, with the effect, subject to the limitations and for the amounts specified in Section 1.04 of Exhibit F to the Twelfth Supplemental Indenture.

On the conditions and in the manner provided in the Section 1.05 of Exhibit F to the Twelfth Supplemental Indenture, Series L Bonds may also become subject to redemption, in whole or in part, at any time on at least 30 days' notice, in the manner, with the effect and for the amounts specified in said Section 1.05, by the use of moneys deposited with or paid to the Trustee as the proceeds of the sale or condemnation of property of the Company or as the proceeds of insurance policies deposited with or paid to the Trustee because of damage to or destruction of property of the Company.

In the event that all or any part of the bonds of this Series L shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such Series L Bonds shall be entitled to be paid therefor an amount specified in Section 1.06 of Exhibit F to the Twelfth Supplemental Indenture.

The Indenture provides that, if notice of redemption of any bond issued pursuant to its terms, including the Series L Bonds, or any portion of the principal amount of any such bond selected for redemption has been duly given, then such bond or such portion thereof shall become due and payable on the date fixed for redemption, and, if the redemption price shall have been duly deposited with the Trustee, interest thereon shall cease to accrue from and after the date fixed for redemption, and that whenever the redemption price thereof shall have been duly deposited with the Trustee and notice of redemption shall have been duly given, or provision therefor made as provided in the Indenture, such bond or such portion thereof shall no longer be entitled to any lien or benefit of the Indenture.

In case an Event of Default, as defined in the Indenture, occurs, the principal of this bond may become or may be declared due and payable prior to the stated maturity hereof in the manner and with the effect and subject to the conditions provided in the Indenture.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, upon books of the Company to be kept for that purpose at the corporate trust office of the Trustee under the Indenture, upon surrender thereof at said office for cancellation and upon

presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds, of like form and in an authorized denomination or in authorized denominations and of the same series, for the same aggregate principal amount. Bonds of this series upon surrender thereof at said office may be exchanged for the same aggregate principal amount of bonds, also of this series but of another authorized denomination or other authorized denominations, all upon payment of the charges, if any, and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for all purposes.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, property may be released from the lien thereof, and the terms and provisions of the Indenture may be modified by the assent or authority of the holders of at least seventy-five per centum (75%) in principal amount of the bonds then outstanding thereunder, *provided, however*, that no such modification shall (i) extend the time or times or payment of the principal of, or the interest or premium, if any, on any bond, (ii) reduce the principal amount thereof or the rate of interest or premium thereon, (iii) authorize the creation of any lien prior or equal to the lien of the Indenture upon any property subject to the lien thereof, or deprive any bondholder of the benefit of the lien of the Indenture, (iv) affect the rights under the Indenture of the holders of one or more, but less than all, of the series of bonds outstanding thereunder unless assented to by the holders of seventy-five per centum (75%) in aggregate principal amount of bonds outstanding thereunder of each of the series so affected, (v) reduce the percentage of bonds, the holders of which are required to assent to any such modification, or (vi) in any manner affect the rights or obligations of the Trustee without its written consent thereto.

No recourse shall be had for the payment of the principal of or the interest on this bond, or of any claim based hereon or in respect hereof or of the Indenture, against any incorporator, stockholder, officer or director of the Company, or of any successor company, whether by virtue of any statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being by the acceptance hereof expressly waived and released and being also waived and released by the terms of the Indenture.

This bond shall not be valid nor become obligatory for any purpose until it shall have been authenticated by the execution of the certificate hereon endorsed by the Trustee under the Indenture.

IN WITNESS WHEREOF, Unitil Energy Systems, Inc. has caused this bond to be signed in its name by its President or one of its Vice Presidents and its corporate seal to be hereunto affixed and attested by its Treasurer, and this bond to be dated the _____, ____.

UNITIL ENERGY SYSTEMS, INC.

By: _____
President

ATTEST: _____
Treasurer

(Corporate Seal)

(Form of Trustee's Certificate for all Bonds of Series L)

Trustee's Certificate of Authentication

This is one of the First Mortgage Bonds, Series L, referred to in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Officer

(FORM OF ENDORSEMENT)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within bond, and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said bond on the books of the Company, with full power of substitution in the premises.

Signature of Registered Owner

Dated: _____

In the presence
of: _____

NOTICE: The signature of this assignment must correspond with the name of the payee as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

SERIES M BONDS

As a result of the Merger of Exeter into the Company on the Merger Date, as more fully described in the Twelfth Supplemental Indenture, \$10,000,000 aggregate principal amount of the Exeter Series L, 6.96% Bonds due September 1, 2028 (*“Exeter Series L Bonds”*) issued under the Exeter Indenture are exchanged as of Merger Date by the holders thereof for Bonds issued under the Indenture containing substantially the same terms and provisions as the Exeter Series L Bonds which are the Company’s Series M 6.96% Bonds due September 1, 2028 (the *“Series M Bonds”*). Accordingly, the provisions for the issuance of \$10,000,000 aggregate principal amount of the Company’s Series M Bonds and the terms and provisions thereof are hereinafter set forth.

All things have been done and performed which are necessary to make the Series M Bonds, when authenticated by the Trustee and issued as herein provided, legal valid and binding obligations of the Company;

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED, as set forth in the following-covenants, agreements, conditions and provisions, to wit:

ARTICLE ONE

CREATION OF SERIES M BONDS

Section 1.01. There shall be and is hereby created an additional series of bonds designated as and entitled “First Mortgage Bonds, Series M.” Series M Bonds shall be fully registered bonds, of the denomination of \$1,000 and multiples thereof. The registered bonds of Series M originally issued shall be dated as provided in Article III of the Indenture and any bonds of Series M subsequently issued shall be dated as provided in Section 2.03 of the Indenture. All Series M Bonds shall mature on September 1, 2028 and shall bear interest at the rate of six and ninety-six one hundredths percent (6.96%) per annum from their respective dates of issue, such interest to be payable quarterly in arrears on the first day of March, June, September and December in each year commencing the first day of March, 2003, and shall bear interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at the rate of 8.96% per annum. The principal of, premium if any, and interest on bonds of Series M shall be payable at the corporate trust office in Boston, Massachusetts of U.S. Bank National Association or at the corporate trust office designated by its successor as Trustee hereunder, in lawful money of the United States of America *provided* that the Company may enter into a written agreement with any registered Institutional Holder of the bonds of Series M providing that payment of interest thereon and of the redemption price on any portion of the principal amount thereof (including premium, if any) which may be redeemed shall be made directly to such holder or to its nominee, as the case may be, at a duly designated place of payment within the United States, without

EXHIBIT G
(to Twelfth Supplemental Indenture)

surrender or presentation of such bonds of Series M to the Trustee, *provided* that (A) there shall have been filed with the Trustee a copy of such agreement, (B) pursuant to such agreement such holder shall agree that it will not sell, transfer or otherwise dispose of any such bond of Series M in respect of which any such payment or redemption shall have been made unless, prior to the delivery thereof by it, either (i) it shall have made a clear and accurate notation of the amount of principal so redeemed upon such bond to be transferred, or (ii) such bond of Series M shall have been presented to the Trustee for appropriate notation thereon of the portion of the principal amount thereof redeemed, or (iii) such bond or bonds of Series M shall have been surrendered in exchange for a new bond or bonds of Series M for the unredeemed balance of the principal amount thereof in accordance with the other terms of the Indenture and (C) in such agreement such holder shall agree that prior to receiving any final payment of the entire remaining unpaid principal amount of any Series M bond, the holder thereof shall be required to deliver such bond to the Trustee. For purposes of this Section 1.01, the term “*Institutional Holder*” shall mean any insurance company, bank, savings and loan association, trust company, investment company, charitable foundation, employee benefit plan (as defined in ERISA) or other institutional investor or financial institution. The text of the Series M Bonds and the Trustee’s certificate with respect thereto shall be respectively substantially of the tenor and purport set forth in Schedule A hereto. The Series M Bonds shall be numbered in such manner or by such method as shall be satisfactory to the Trustee.

The issue of bonds of Series M hereunder is hereby limited to the \$10,000,000 in aggregate principal amount of Series M Bonds initially issued as provided in Section 1.07 hereof and to Series M Bonds issued in exchange or substitution for outstanding Series M Bonds under the provisions of Sections 2.08, 2.10, 2.11 and 7.05 of the Indenture and of Section 1.06 hereof.

Section 1.02. As a required sinking fund for the benefit of the Series M Bonds, the Company covenants that it will, on or prior to September 1 in each year, beginning with September 1, 2019, and continuing to and including September 1, 2028, pay to the Trustee immediately available funds sufficient to redeem, at par, Series M Bonds then outstanding, in the principal amount of One Million Dollars (\$1,000,000) (or the remaining principal amount if less than \$1,000,000 principal amount of Series M Bonds at the time remains outstanding). The payments required for the sinking fund as above provided are in this Section 1.02 and elsewhere in this Exhibit G referred to as “required sinking fund payments” and the day following the latest date on which each such payment is required to be made is herein and therein referred to as a “required sinking fund redemption date”. Each required sinking fund payment shall be applied to the redemption of Series M bonds on the applicable required sinking fund redemption date.

No redemption under Section 1.03, 1.04 or 1.05 hereof shall affect or reduce the obligation of the Company to provide for required sinking fund redemptions under this Section 1.02 until all Series M Bonds shall have been paid in full.

Section 1.03. In addition to the required sinking fund provided by Section 1.02 hereof, all of the bonds of Series M, or any part of the principal amount thereof constituting One Hundred Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, on any date on or after September 1, 1998 and before September 1, 2026, pursuant to the provisions of Article VII of the Indenture, and by payment of an amount

equal to the Make Whole Amount, as defined below in this Section 1.03, determined five Business Days prior to such redemption. In addition to the foregoing, on any date on or after September 1, 2026, all of the bonds of Series M, or any part of the principal amount thereof constituting One Hundred Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, by payment of the interest accrued on the principal amount of the bond or bonds optionally to be redeemed to the dates fixed for such redemption plus 100% of the principal amount thereof.

For purposes of this Section 1.03, the *Make Whole Amount* shall mean the greater of (i) the outstanding principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for such redemption, and (ii) the sum of (A) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed (taking into account each redemption required by Section 1.02 above) and the amount of interest (exclusive of interest accrued to the date fixed for such redemption) that would have been payable in respect of each such dollar if such redemption had not been made, determined by discounting such amounts at the Reinvestment Rate (as hereinafter defined) from the respective dates on which they would have been payable to the date of such redemption, plus (B) interest accrued on the bonds to be redeemed to the date fixed for such redemption.

For purposes of any determination of the Make Whole Amount:

“Reinvestment Rate” shall mean (1) the sum of 0.50%, *plus* the yield reported on page “USD” of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in the United States government Securities) at 11:00 A.M. (Eastern time) on the fifth Business Day preceding the date the Make Whole Amount become due and payable pursuant to the foregoing provisions of this Section 1.03 for the United States government Securities having a maturity (rounded to the nearest month) corresponding to the remaining Weighted Average Life to Maturity of the principal of the bonds being redeemed (taking into account the application of each redemption required by Section 1.02) or (2) in the event that no nationally recognized trading screen reporting on-line intraday trading in the United States government Securities is available, Reinvestment Rate shall mean the sum of 0.50%, *plus* the arithmetic mean of the yields for the two columns under the heading *“Week Ending”* published on the fifth Business Day preceding the date the Make Whole Amount become due and payable pursuant to the foregoing provisions of this Section 1.03 in the Statistical Release under the caption *“Treasury Constant Maturities”* for the maturity (rounded to the nearest month) corresponding to the Weighted Average Life to Maturity of the principal amount of the bonds being redeemed (taking into account each redemption required by Section 1.02). If no maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two published maturities most closely corresponding to such Weighted Average Life to Maturity shall be calculated pursuant to the immediately preceding sentence, and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straightline basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make Whole Amount shall be used.

“Statistical Release” shall mean the then most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded U.S. Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66-2/3% in aggregate principal amount of outstanding Series M Bonds.

“Weighted Average Life to Maturity” of the principal amount of the bonds being redeemed shall mean, as of the time of any determination thereof, the number of years obtained by dividing the then Remaining Dollar-Years of such principal by the aggregate amount of such principal. The term *“Remaining Dollar-Years”* of such principal shall mean the amount obtained by (i) multiplying (x) the remainder of (1) the amount of principal that would have been payable on each scheduled redemption date under Section 1.02 hereof if the redemption pursuant to this Section 1.03 had not been made, less (2) the amount of principal on the bonds scheduled to become payable on each such redemption date under Section 1.02 after giving effect to the redemption pursuant to this Section 1.03, by (y) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination and each such scheduled redemption date under Section 1.02, and (ii) totaling the products obtained in (i).

Section 1.04. Series M Bonds may be redeemed pursuant to Article XI of the Indenture (i) out of Trust Moneys, required by Section 8.12 of the Indenture to be deposited with the Trustee, on any date and shall be redeemed for an amount equal to the principal amount of the bonds to be redeemed, plus interest accrued to the date of redemption; or (ii) out of Trust Moneys required by Sections 8.10, 10.03, 10.04 or 10.04A of the Indenture to be deposited with the Trustee, on any date and, if redeemed prior to September 1, 2026, then they shall be redeemed for an amount equal to the Make Whole Amount, as defined above in Section 1.03, and if redeemed on any date on or after September 1, 2026, then they shall be redeemed for an amount equal to the interest accrued on the principal amount of the bond or bonds to be redeemed to the date fixed for redemption, plus 100% of the principal amount thereof, for optional redemptions occurring on or after September 1, 2026.

Section 1.05. In the event that all or any part of the bonds of Series M shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such bonds of Series M shall be entitled to be paid an amount equal to the Make Whole Amount, if such redemption or discharge occurs prior to September 1, 2026, or, if such redemption or discharge occurs on or after September 1, 2026, then the registered owners of such bonds shall be entitled to be paid an amount equal to the interest accrued on the principal amount of the bonds to be redeemed to the date of redemption, plus 100% of the principal amount thereof.

Section 1.06. Bonds of Series M, upon surrender thereof at the principal office of the Trustee, may be exchanged for the same aggregate principal amount of other bonds of this Series.

Within a reasonable time after the receipt of a request for such an exchange, the Company shall issue and the Trustee shall authenticate and deliver all bonds required in connection therewith, and the Trustee shall make such exchange upon payment to it of such charge, if any, as is required by the following paragraph.

For any exchange of bonds of Series M, the Company, at its option, may require the payment of a sum sufficient to reimburse it for any stamp or other tax or governmental charge required to be paid by the Company or the Trustee.

Section 1.07. Upon execution of this Twelfth Supplemental Indenture and subject to the provisions of Article III of the Indenture and upon compliance with the applicable provisions of Article IV of the Indenture, the Company shall execute and deliver to the Trustee, and the Trustee shall authenticate and deliver to or upon the order of the Company, bonds of the Series M in the form set forth in Schedule A hereto in the aggregate principal amount of Ten Million Dollars (\$10,000,000).

ARTICLE TWO

REDEMPTION

Section 2.01. In the case of any required sinking fund redemption pursuant to Section 1.02 hereof, forthwith after the August 1 preceding each required sinking fund redemption date, and in the case of any proposed redemption pursuant to Sections 1.03 or 1.04, forthwith after the Trustee's receipt of proper notice from the Company of any such proposed redemption, the Trustee, shall act in accordance with the provisions of Article VII of the Indenture.

The Company covenants that it will pay to the Trustee

(i) on or before the day prior to each required sinking fund redemption date, the sum required by Section 1.02 hereof,

(ii) on or before the day prior to the date proposed by the Company in a notice (which notice shall conform to the requirements of Article VII of the Indenture) of any redemption pursuant to Section 1.03 or 1.04 hereof, the amount payable in accordance with such notice, and

(iii) at the time of each required sinking fund redemption or other redemption the Company shall pay to the Trustee the amount of the charges which shall be due the Trustee and the amount of the expenses which the Trustee advises the Company it has incurred or will incur in connection with such redemption.

(FORM OF SERIES M BOND)

UNITIL ENERGY SYSTEMS, INC.

First Mortgage Bond, Series M, 6.96%
due September 1, 2028

No. MR-_____

\$_____

Unitil Energy Systems, Inc., a corporation organized under the laws of the State of New Hampshire (hereinafter called the "*Company*"), for value received, hereby promises to pay to _____ or registered assigns, on the first day of September, 2028, the principal sum of _____ Dollars (\$_____) and to pay interest thereon from the date hereof at the rate of six and ninety-six hundredths per centum (6.96%) per annum (computed on the basis of a thirty (30) day month and three hundred sixty (360) day year) payable quarterly in arrears on the first day of March, June, September and December in each year, commencing the first day of March, 2003, until said principal sum is paid; and to pay interest on any overdue principal (including any overdue prepayment of principal) and premium if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at the rate of 8.96% per annum. The principal of and premium if any, and the interest on this bond shall be payable at the corporate trust office in Boston, Massachusetts of U.S. Bank National Association, or at the corporate trust office designated by its successor as trustee in the trust hereinafter referred to, or at the option of certain holders, in accordance with the provisions of Section 1.01 of Exhibit G of the Twelfth Supplemental Indenture hereinafter referred to, in lawful money of the United States of America.

This bond is one of a duly authorized issue of First Mortgage Bonds of the Company limited as to aggregate principal amount as set forth in the Indenture hereinafter mentioned, issuable in series, and is one of a Series M known as First Mortgage Bonds, Series M, all bonds of all series being issued and to be issued under and pursuant to and all equally secured (except as any sinking or other fund, established in accordance with the provisions of the Indenture hereinafter mentioned, may afford additional security for the bonds of any particular series) by an Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (herein called the "*Original Indenture*") duly executed and delivered by the Company to Old Colony Trust Company (U.S. Bank National Association being successor Trustee and together with each predecessor trustee being called the "*Trustee*"), to which Original Indenture and to all Indentures supplemental thereto, including a Twelfth Supplemental Indenture (the "*Twelfth Supplemental Indenture*") dated as of December 2, 2002 (herein together called the "*Indenture*") reference is hereby made for a description of the property and transferred, assigned and mortgaged thereunder, the nature and extent of the security, the terms and conditions upon which the bonds are secured and additional bonds may be issued and secured, and the rights of the holders or registered owners of said bonds, of the Trustee and of the Company in respect of such security. Neither the foregoing reference to the Indenture, nor any provision of this bond or of the Indenture, shall affect or impair the obligation of the Company, which is absolute, unconditional and unalterable, to pay, at the stated or accelerated maturities herein provided, the principal of and premium, if any, and interest on this bond as herein provided.

Bonds of this Series M are entitled to the benefit of a required sinking fund provided for in Exhibit G to the Twelfth Supplemental Indenture and shall become subject to redemption for the purposes of such sinking fund at the principal amount thereof without premium, plus interest accrued thereon to the date of such redemption, all on the conditions and in the manner provided in Exhibit G to the Twelfth Supplemental Indenture.

Bonds of this Series M are also redeemable, in whole or in part, in integral multiples of one hundred thousand dollars, at the option of the Company on any date on at least 30 days' notice, in the manner, with the effect, subject to the limitations and for the amounts specified in Section 1.03 of Exhibit G to the Twelfth Supplemental Indenture.

On the conditions and in the manner provided in the Section 1.04 of Exhibit G to the Twelfth Supplemental Indenture, Series M Bonds may also become subject to redemption, in whole or in part, at any time on at least 30 days' notice, in the manner, with the effect and for the amounts specified in said Section 1.04, by the use of moneys deposited with or paid to the Trustee as the proceeds of the sale or condemnation of property of the Company or as the proceeds of insurance policies deposited with or paid to the Trustee because of damage to or destruction of property of the Company.

In the event that all or any part of the bonds of this Series M shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such Series M Bonds shall be entitled to be paid therefor an amount specified in Section 1.05 of Exhibit G to the Twelfth Supplemental Indenture.

The Indenture provides that, if notice of redemption of any bond issued pursuant to its terms, including the Series M Bonds, or any portion of the principal amount of any such bond selected for redemption has been duly given, then such bond or such portion thereof shall become due and payable on the date fixed for redemption, and, if the redemption price shall have been duly deposited with the Trustee, interest thereon shall cease to accrue from and after the date fixed for redemption, and that whenever the redemption price thereof shall have been duly deposited with the Trustee and notice of redemption shall have been duly given, or provision therefor made as provided in the indenture, such bond or such portion thereof shall no longer be entitled to any lien or benefit of the Indenture.

In case an Event of Default, as defined in the Indenture, occurs, the principal of this bond may become or may be declared due and payable prior to the stated maturity hereof in the manner and with the effect and subject to the conditions provided in the Indenture.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, upon books of the Company to be kept for that purpose at the corporate trust office of the Trustee under the Indenture, upon surrender thereof at said office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds, of like form and in an authorized denomination or in authorized

denominations and of the same series, for the same aggregate principal amount. Bonds of this series upon surrender thereof at said office may be exchanged for the same aggregate principal amount of bonds, also of this series but of another authorized denomination or other authorized denominations, all upon payment of the charges, if any, and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for all purposes.

With the consent of the company and to the extent permitted by and as provided in the Indenture, property may be released from the lien thereof, and the terms and provisions of the Indenture may be modified by the assent or authority of the holders of at least seventy-five per centum (75%) in principal amount of the bonds then outstanding thereunder, *provided, however*, that no such modification shall (i) extend the time or times or payment of the principal of, or the interest or premium, if any, on any bond, (ii) reduce the principal amount thereof or the rate of interest or premium thereon, (iii) authorize the creation of any lien prior or equal to the lien of the Indenture upon any property subject to the lien thereof, or deprive any bondholder of the benefit of the lien of the Indenture, (iv) affect the rights under the Indenture of the holders of one or more, but less than all, of the series of bonds outstanding thereunder unless assented to by the holders of seventy-five per centum (75%) in aggregate principal amount of bonds outstanding thereunder of each of the series so affected, (v) reduce the percentage of bonds, the holders of which are required to assent to any such modification, or (vi) in any manner affect the rights or obligations of the Trustee without its written consent thereto.

No recourse shall be had for the payment of the principal of or the interest on this bond, or of any claim based hereon or in respect hereof or of the Indenture, against any incorporator, stockholder, officer or director of the Company, or of any successor company, whether by virtue of any statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being by the acceptance hereof expressly waived and released and being also waived and released by the terms of the Indenture.

This bond shall not be valid nor become obligatory for any purpose until it shall have been authenticated by the execution of the certificate hereon endorsed by the Trustee under the Indenture.

IN WITNESS WHEREOF, Unitil Energy Systems, Inc. has caused this bond to be signed in its name by its President or one of its Vice Presidents and its corporate seal to be hereunto affixed and attested by its Treasurer, and this bond to be dated the _____, ____.

UNITIL ENERGY SYSTEMS, INC.

By _____
President

ATTEST: _____
Treasurer

(Corporate Seal)

(Form of Trustee's Certificate for all Bonds of Series M)

Trustee's Certificate of Authentication

This is one of the First Mortgage Bonds, Series M, referred to in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION

By _____
Authorized Officer

(FORM OF ENDORSEMENT)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within bond, and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said bond on the books of the Company, with full power of substitution in the premises.

Signature of Registered Owner

Dated: _____

In the presence

of: _____

NOTICE: The signature of this assignment must correspond with the name of the payee as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

SERIES N BONDS

As a result of the Merger of Exeter into the Company on the Merger Date, as more fully described in the Twelfth Supplemental Indenture, \$7,500,000 aggregate principal amount of the Exeter Series M, 8.00% Bonds due May 1, 2031 (“*Exeter Series M Bonds*”) issued under the Exeter Indenture are exchanged as of Merger Date by the holders thereof for Bonds issued under the Indenture containing substantially the same terms and provisions as the Exeter Series M Bonds which are the Company’s Series N 8.00% Bonds due May 1, 2031 (the “*Series N Bonds*”). Accordingly, the provisions for the issuance of \$7,500,000 aggregate principal amount of the Company’s Series N Bonds and the terms and provisions thereof are hereinafter set forth.

All things have been done and performed which are necessary to make the Series N Bonds, when authenticated by the Trustee and issued as herein provided, legal valid and binding obligations of the Company;

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED, as set forth in the following-covenants, agreements, conditions and provisions, to wit:

ARTICLE ONE

CREATION OF SERIES N BONDS

Section 1.01. There shall be and is hereby created an additional series of bonds designated as and entitled “First Mortgage Bonds, Series N.” Series N Bonds shall be fully registered bonds, of the denomination of \$1,000 and multiples thereof. The registered bonds of Series N originally issued shall be dated as provided in Article III of the Indenture and any bonds of Series N subsequently issued shall be dated as provided in Section 2.03 of the Indenture. All Series N Bonds shall mature on May 1, 2031 and shall bear interest at the rate of eight percent (8.00%) per annum from their respective dates of issue, such interest to be payable quarterly in arrears on the first day of February, May, August and November each year commencing the first day of February, 2003, and shall bear interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at the rate of 10.00% per annum. The principal of, premium if any, and interest on bonds of Series N shall be payable at the corporate trust office in Boston, Massachusetts of U.S. Bank National Association or at the corporate trust office designated by its successor as Trustee hereunder, in lawful money of the United States of America *provided* that the Company may enter into a written agreement with any registered Institutional Holder of the bonds of Series N providing that payment of interest thereon and of the redemption price on any portion of the principal amount thereof (including premium, if any) which may be redeemed shall be made directly to such holder or to its nominee, as the case may be, at a duly designated place of payment within the United States, without surrender or presentation of such bonds of Series N to the Trustee, *provided* that (A) there shall have been filed with the Trustee a copy of such agreement, (B) pursuant to such agreement such holder shall agree that it will not sell, transfer or

otherwise dispose of any such bond of Series N in respect of which any such payment or redemption shall have been made unless, prior to the delivery thereof by it, either (i) it shall have made a clear and accurate notation of the amount of principal so redeemed upon such bond to be transferred, or (ii) such bond of Series N shall have been presented to the Trustee for appropriate notation thereon of the portion of the principal amount thereof redeemed, or (iii) such bond or bonds of Series N shall have been surrendered in exchange for a new bond or bonds of Series N for the unredeemed balance of the principal amount thereof in accordance with the other terms of the Indenture and (C) in such agreement such holder shall agree that prior to receiving any final payment of the entire remaining unpaid principal amount of any Series N bond, the holder thereof shall be required to deliver such bond to the Trustee. For purposes of this Section 1.01, the term “*Institutional Holder*” shall mean any insurance company, bank, savings and loan association, trust company, investment company, charitable foundation, employee benefit plan (as defined in ERISA) or other institutional investor or financial institution. The text of the Series N Bonds and the Trustee’s certificate with respect thereto shall be respectively substantially of the tenor and purport set forth in Schedule A hereto. The Series N Bonds shall be numbered in such manner or by such method as shall be satisfactory to the Trustee.

The issue of bonds of Series N hereunder is hereby limited to the \$7,500,000 in aggregate principal amount of Series N Bonds initially issued as provided in Section 1.07 hereof and to Series N Bonds issued in exchange or substitution for outstanding Series N Bonds under the provisions of Section 2.08, 2.10, 2.11 and 7.05 of the Indenture and of Section 1.06 hereof.

Section 1.02. As a required sinking fund for the benefit of the Series N Bonds, the Company covenants that it will, on or prior to May 1 in each year, beginning with May 1, 2022, and continuing to and including May 1, 2031, pay to the Trustee immediately available funds sufficient to redeem, at par, Series N Bonds then outstanding, in the principal amount of Seven Hundred Fifty Thousand Dollars (\$750,000) (or the remaining principal amount if less than \$750,000 principal amount of Series N Bonds at the time remains outstanding). The payments required for the sinking fund as above provided are in this Section 1.02 and elsewhere in this Exhibit H referred to as “required sinking fund payments” and the day following the latest date on which each such payment is required to be made is herein and therein referred to as a “required sinking fund redemption date”. Each required sinking fund payment shall be applied to the redemption of Series N Bonds on the applicable required sinking fund redemption date.

No redemption under Section 1.03, 1.04 or 1.05 hereof shall affect or reduce the obligation of the Company to provide for required sinking fund redemptions under this Section 1.02 until all Series N Bonds shall have been paid in full.

Section 1.03. In addition to the required sinking fund provided by Section 1.02 hereof, all of the bonds of Series N, or any part of the principal amount thereof constituting One Hundred Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, on any date on or after May 1, 2001 and before May 1, 2029, pursuant to the provisions of Article VII of the Indenture, and by payment of an amount equal to the Make Whole Amount, as defined below in this Section 1.03, determined five Business Days prior to such redemption. In addition to the foregoing, on any date on or after May 1, 2029, all of the bonds of Series N, or any part of the principal amount thereof constituting One Hundred

Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, by payment of the interest accrued on the principal amount of the bond or bonds optionally to be redeemed to the dates fixed for such redemption plus 100% of the principal amount thereof.

For purposes of this Section 1.03, the *Make Whole Amount* shall mean the greater of (i) the outstanding principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for such redemption, and (ii) the sum of (A) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed (taking into account each redemption required by Section 1.02 above) and the amount of interest (exclusive of interest accrued to the date fixed for such redemption) that would have been payable in respect of each such dollar if such redemption had not been made, determined by discounting such amounts at the Reinvestment Rate (as hereinafter defined) from the respective dates on which they would have been payable to the date of such redemption, plus (B) interest accrued on the bonds to be redeemed to the date fixed for such redemption.

For purposes of any determination of the Make Whole Amount:

“Reinvestment Rate” shall mean (1) the sum of 0.50%, *plus* the yield reported on page “USD” of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in the United States government Securities) at 11:00 A.M. (Eastern time) on the fifth Business Day preceding the date the Make Whole Amount become due and payable pursuant to the foregoing provisions of this Section 1.03 for the United States government Securities having a maturity (rounded to the nearest month) corresponding to the remaining Weighted Average Life to Maturity of the principal of the bonds being redeemed (taking into account the application of each redemption required by Section 1.02) or (2) in the event that no nationally recognized trading screen reporting on-line intraday trading in the United States government Securities is available, Reinvestment Rate shall mean the sum of 0.50%, *plus* the arithmetic mean of the yields for the two columns under the heading *“Week Ending”* published on the fifth Business Day preceding the date the Make Whole Amount become due and payable pursuant to the foregoing provisions of this Section 1.03 in the Statistical Release under the caption *“Treasury Constant Maturities”* for the maturity (rounded to the nearest month) corresponding to the Weighted Average Life to Maturity of the principal amount of the bonds being redeemed (taking into account each redemption required by Section 1.02). If no maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two published maturities most closely corresponding to such Weighted Average Life to Maturity shall be calculated pursuant to the immediately preceding sentence, and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straightline basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make Whole Amount shall be used.

“Statistical Release” shall mean the then most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly

by the Federal Reserve System and which establishes yields on actively traded U.S. Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66-2/3% in aggregate principal amount of outstanding Series N Bonds.

“Weighted Average Life to Maturity” of the principal amount of the bonds being redeemed shall mean, as of the time of any determination thereof, the number of years obtained by dividing the then Remaining Dollar-Years of such principal by the aggregate amount of such principal. The term *“Remaining Dollar-Years”* of such principal shall mean the amount obtained by (i) multiplying (x) the remainder of (1) the amount of principal that would have been payable on each scheduled redemption date under Section 1.02 hereof if the redemption pursuant to this Section 1.03 had not been made, less (2) the amount of principal on the bonds scheduled to become payable on each such redemption date under Section 1.02 after giving effect to the redemption pursuant to this Section 1.03, by (y) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination and each such scheduled redemption date under Section 1.02, and (ii) totaling the products obtained in (i).

Section 1.04. Series N Bonds may be redeemed pursuant to Article XI of the Indenture (i) out of Trust Moneys, required by Section 8.12 of the Indenture to be deposited with the Trustee, on any date and shall be redeemed for an amount equal to the principal amount of the bonds to be redeemed, plus interest accrued to the date of redemption; or (ii) out of Trust Moneys required by Sections 8.10, 10.03, 10.04 or 10.04A of the Indenture to be deposited with the Trustee, on any date and, if redeemed prior to May 1, 2029, then they shall be redeemed for an amount equal to the Make Whole Amount, as defined above in Section 1.03, and if redeemed on any date on or after May 1, 2029, then they shall be redeemed for an amount equal to the interest accrued on the principal amount of the bond or bonds to be redeemed to the date fixed for redemption, plus 100% of the principal amount thereof, for optional redemptions occurring on or after May 1, 2029.

Section 1.05. In the event that all or any part of the bonds of Series N shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such bonds of Series N shall be entitled to be paid an amount equal to the Make Whole Amount, if such redemption or discharge occurs prior to May 1, 2029, or, if such redemption or discharge occurs on or after May 1, 2029, then the registered owners of such bonds shall be entitled to be paid an amount equal to the interest accrued on the principal amount of the bonds to be redeemed to the date of redemption, plus 100% of the principal amount thereof.

Section 1.06. Bonds of Series N, upon surrender thereof at the principal office of the Trustee, may be exchanged for the same aggregate principal amount of other bonds of this Series.

Within a reasonable time after the receipt of a request for such an exchange, the Company shall issue and the Trustee shall authenticate and deliver all bonds required in connection

therewith, and the Trustee shall make such exchange upon payment to it of such charge, if any, as is required by the following paragraph.

For any exchange of bonds of Series N, the Company, at its option, may require the payment of a sum sufficient to reimburse it for any stamp or other tax or governmental charge required to be paid by the Company or the Trustee.

Section 1.07. Upon execution of this Twelfth Supplemental Indenture and subject to the provisions of Article III of the Indenture and upon compliance with the applicable provisions of Article IV of the Indenture, the Company shall execute and deliver to the Trustee, and the Trustee shall authenticate and deliver to or upon the order of the Company, bonds of the Series N in the form set forth in Schedule A hereto in the aggregate principal amount of Seven Million Five Hundred Thousand Dollars (\$7,500,000).

ARTICLE TWO

REDEMPTION

Section 2.01. In the case of any required sinking fund redemption pursuant to Section 1.02 hereof, forthwith after the April 1 preceding each required sinking fund redemption date, and in the case of any proposed redemption pursuant to Sections 1.03 or 1.04, forthwith after the Trustee's receipt of proper notice from the Company of any such proposed redemption, the Trustee, shall act in accordance with the provisions of Article VII of the Indenture.

The Company covenants that it will pay to the Trustee

- (i) on or before the day prior to each required sinking fund redemption date, the sum required by Section 1.02 hereof,
- (ii) on or before the day prior to the date proposed by the Company in a notice (which notice shall conform to the requirements of Article VII of the Indenture) of any redemption pursuant to Section 1.03 or 1.04 hereof, the amount payable in accordance with such notice, and
- (iii) at the time of each required sinking fund redemption or other redemption the Company shall pay to the Trustee the amount of the charges which shall be due the Trustee and the amount of the expenses which the Trustee advises the Company it has incurred or will incur in connection with such redemption.

(FORM OF SERIES N BOND)

UNITIL ENERGY SYSTEMS, INC.

First Mortgage Bond, Series N, 8.00%
due May 1, 2031

No. NR- _____ \$ _____

Unitil Energy Systems, Inc., a corporation organized under the laws of the State of New Hampshire (hereinafter called the "*Company*"), for value received, hereby promises to pay to _____ or registered assigns, on the first day of May, 2031, the principal sum of _____ Dollars (\$ _____) and to pay interest thereon from the date hereof at the rate of eight per centum (8.00%) per annum (computed on the basis of a thirty (30) day month and three hundred sixty (360) day year) payable quarterly in arrears on the first day of February, May, August and November each year, commencing the first day of February, 2003, until said principal sum is paid; and to pay interest on any overdue principal (including any overdue prepayment of principal) and premium if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at the rate of 10.00% per annum. The principal of and premium if any, and the interest on this bond shall be payable at the corporate trust office in Boston, Massachusetts of U.S. Bank National Association, or at the corporate trust office designated by its successor as trustee in the trust hereinafter referred to, or at the option of certain holders, in accordance with the provisions of Section 1.01 of Exhibit H of the Twelfth Indenture hereinafter referred to, in lawful money of the United States of America.

This bond is one of a duly authorized issue of First Mortgage Bonds of the Company limited as to aggregate principal amount as set forth in the Indenture hereinafter mentioned, issuable in series, and is one of a Series N known as First Mortgage Bonds, Series N, all bonds of all series being issued and to be issued under and pursuant to and all equally secured (except as any sinking or other fund, established in accordance with the provisions of the Indenture hereinafter mentioned, may afford additional security for the bonds of any particular series) by an Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (herein called the "*Original Indenture*") duly executed and delivered by the Company to Old Colony Trust Company (U.S. Bank National Association being successor Trustee and together with each predecessor trustee being called the "*Trustee*"), to which Original Indenture and to all Indentures supplemental thereto, including a Twelfth Supplemental Indenture (the "*Twelfth Supplemental Indenture*") dated as of December 2, 2002 (herein together called the "*Indenture*") reference is hereby made for a description of the property and transferred, assigned and mortgaged thereunder, the nature and extent of the security, the terms and conditions upon which the bonds are secured and additional bonds may be issued and secured, and the rights of the holders or registered owners of said bonds, of the Trustee and of the Company in respect of such security. Neither the foregoing reference to the Indenture, nor any provision of this bond or of the Indenture, shall affect or impair the obligation of the Company, which is absolute, unconditional and unalterable, to pay,

at the stated or accelerated maturities herein provided, the principal of and premium, if any, and interest on this bond as herein provided.

Bonds of this Series N are entitled to the benefit of a required sinking fund provided for in Exhibit H to the Twelfth Supplemental Indenture and shall become subject to redemption for the purposes of such sinking fund at the principal amount thereof without premium, plus interest accrued thereon to the date of such redemption, all on the conditions and in the manner provided in Exhibit H to the Twelfth Supplemental Indenture.

Bonds of this Series N are also redeemable, in whole or in part, in integral multiples of one hundred thousand dollars, at the option of the Company on any date on at least 30 days' notice, in the manner, with the effect, subject to the limitations and for the amounts specified in Section 1.03 of Exhibit H to the Twelfth Supplemental Indenture.

On the conditions and in the manner provided in the Section 1.04 of Exhibit H to the Twelfth Supplemental Indenture, Series N bonds may also become subject to redemption, in whole or in part, at any time on at least 30 days' notice, in the manner, with the effect and for the amounts specified in said Section 1.04, by the use of moneys deposited with or paid to the Trustee as the proceeds of the sale or condemnation of property of the Company or as the proceeds of insurance policies deposited with or paid to the Trustee because of damage to or destruction of property of the Company.

In the event that all or any part of the bonds of this Series N shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such Series N bonds shall be entitled to be paid therefor an amount specified in Section 1.05 of Exhibit H to the Twelfth Supplemental Indenture.

The Indenture provides that, if notice of redemption of any bond issued pursuant to its terms, including the Series N bonds, or any portion of the principal amount of any such bond selected for redemption has been duly given, then such bond or such portion thereof shall become due and payable on the date fixed for redemption, and, if the redemption price shall have been duly deposited with the Trustee, interest thereon shall cease to accrue from and after the date fixed for redemption, and that whenever the redemption price thereof shall have been duly deposited with the Trustee and notice of redemption shall have been duly given, or provision therefor made as provided in the indenture, such bond or such portion thereof shall no longer be entitled to any lien or benefit of the Indenture.

In case an Event of Default, as defined in the Indenture, occurs, the principal of this bond may become or may be declared due and payable prior to the stated maturity hereof in the manner and with the effect and subject to the conditions provided in the Indenture.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, upon books of the Company to be kept for that purpose at the corporate trust office of the Trustee under the Indenture, upon surrender thereof at said office for cancellation and upon

presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds, of like form and in an authorized denomination or in authorized denominations and of the same series, for the same aggregate principal amount. Bonds of this series upon surrender thereof at said office may be exchanged for the same aggregate principal amount of bonds, also of this series but of another authorized denomination or other authorized denominations, all upon payment of the charges, if any, and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for all purposes.

With the consent of the company and to the extent permitted by and as provided in the Indenture, property may be released from the lien thereof, and the terms and provisions of the Indenture may be modified by the assent or authority of the holders of at least seventy-five per centum (75%) in principal amount of the bonds then outstanding thereunder, *provided, however*, that no such modification shall (i) extend the time or times or payment of the principal of, or the interest or premium, if any, on any bond, (ii) reduce the principal amount thereof or the rate of interest or premium thereon, (iii) authorize the creation of any lien prior or equal to the lien of the Indenture upon any property subject to the lien thereof, or deprive any bondholder of the benefit of the lien of the Indenture, (iv) affect the rights under the Indenture of the holders of one or more, but less than all, of the series of bonds outstanding thereunder unless assented to by the holders of seventy-five per centum (75%) in aggregate principal amount of bonds outstanding thereunder of each of the series so affected, (v) reduce the percentage of bonds, the holders of which are required to assent to any such modification, or (vi) in any manner affect the rights or obligations of the Trustee without its written consent thereto.

No recourse shall be had for the payment of the principal of or the interest on this bond, or of any claim based hereon or in respect hereof or of the Indenture, against any incorporator, stockholder, officer or director of the Company, or of any successor company, whether by virtue of any statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being by the acceptance hereof expressly waived and released and being also waived and released by the terms of the Indenture.

This bond shall not be valid nor become obligatory for any purpose until it shall have been authenticated by the execution of the certificate hereon endorsed by the Trustee under the Indenture.

IN WITNESS WHEREOF, Unitil Energy Systems, Inc. has caused this bond to be signed in its name by its President or one of its Vice Presidents and its corporate seal to be hereunto affixed and attested by its Treasurer, and this bond to be dated the ____ day of _____, _____.

UNITIL ENERGY SYSTEMS, INC.

By: _____
Name: _____
Title: _____

ATTEST: _____
Treasurer

(Corporate Seal)

(Form of Trustee's Certificate for all Bonds of Series N)

Trustee's Certificate of Authentication

This is one of the First Mortgage Bonds, Series N, referred to in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Officer

(FORM OF ENDORSEMENT)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within bond, and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said bond on the books of the Company, with full power of substitution in the premises.

Signature of Registered Owner

Dated: _____

In the presence
of: _____

NOTICE: The signature of this assignment must correspond with the name of the payee as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

EXECUTION COPY

UNITIL ENERGY SYSTEMS, INC.

To

U.S. BANK NATIONAL ASSOCIATION, TRUSTEE

FOURTEENTH

SUPPLEMENTAL INDENTURE

Dated as of March 2, 2010

Additional Issue of Bonds
(Series P, 5.24%, due March 2, 2020)

\$15,000,000

THIS FOURTEENTH SUPPLEMENTAL INDENTURE is dated as of March 2, 2010 and entered into by and between UNITIL ENERGY SYSTEMS, INC., a corporation duly organized and existing under and by virtue of the laws of the State of New Hampshire, having its principal office and place of business in Hampton, County of Rockingham in the State of New Hampshire (hereinafter sometimes referred to as the "*Company*"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association (successor to Old Colony Trust Company), having an office and place of business in Boston, Massachusetts, as Trustee (hereinafter sometimes referred to as the "*Trustee*"), with reference to the following Recitals:

WITNESSETH:

WHEREAS, the Company heretofore duly executed and delivered to the Trustee its Indenture of Mortgage and Deed of Trust (hereinafter generally referred to as the "*Original Indenture*") and referred to, with each and every other instrument, including the Twelfth Supplemental Indenture, which amended and restated the Original Indenture in its entirety, and each subsequent instrument which the Company may execute with the Trustee and which is therein stated to be supplemental to the Original Indenture, as the "*Indenture*"), dated as of July 15, 1958, but actually executed on September 18, 1958, and recorded, among other places, in Merrimack County, New Hampshire, Registry of Deeds, Volume 832, Page 96, and in the Office of the City Clerk of the City of Concord, New Hampshire, Volume 188, Page 156 and duly recorded First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth and Thirteenth Supplemental Indentures thereto dated as of January 15, 1968, as of November 15, 1971, as of July 1, 1975, as of March 28, 1984, as of June 1, 1984, as of October 29, 1987, as of August 29, 1991, as of October 14, 1994, as of September 1, 1998, as of January 15, 2001, as of April 20, 2001, as of December 2, 2002 and as of September 26, 2006, respectively, to which this instrument is supplemental and in modification and confirmation thereof, whereby substantially all the properties of the Company used by it in its electric business, whether then owned or thereafter acquired, with certain exceptions and reservations fully set forth in the Indenture were given, granted, bargained, sold, warranted, pledged, assigned, transferred, mortgaged and conveyed to the Trustee, its successors and assigns, in trust upon the terms and conditions set forth therein to secure bonds of the Company issued and to be issued thereunder, and for other purposes more particularly specified therein; and

WHEREAS, on January 4, 1971 Old Colony Trust Company was merged into The First National Bank of Boston, which thereupon succeeded to the trusts under the Indenture; and

WHEREAS, effective May 1, 1996 The First National Bank of Boston resigned as trustee under the Indenture and the Company appointed State Street Bank and Trust Company ("*State Street*") as successor trustee, which accepted such appointment and thereupon succeeded to the trusts under the Indenture; and

WHEREAS, effective January 1, 2003 U.S. Bank National Association purchased substantially all of the corporate trust business of State Street including the trust herein and thereupon succeeded State Street as Trustee hereunder; and

WHEREAS, on December 2, 2002 (the "*Merger Date*"), Unitil Corporation, a corporation organized under the laws of the State of New Hampshire ("*Unitil*"), combined all of the operations of the Company and Exeter & Hampton Electric Company ("*Exeter*") through the merger of Exeter into the Company pursuant to an Agreement and Plan of Merger dated as of November 26, 2002 between the Company and Exeter. On the Merger Date the Company assumed all of the obligations of Exeter under (a) Exeter's Indenture of Mortgage and Deed of Trust dated as of December 1, 1952 (hereinafter referred to as the "*Original Exeter Indenture*") as supplemented by the First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh and Twelfth Supplemental Indentures thereto dated as of January 16, 1956, as of January 15, 1960, as of June 1, 1964, as of January 15, 1968, as of November 15, 1971, as of April 1, 1974, as of December 15, 1977, as of October 28, 1987, as of August 29, 1991, as of October 14, 1994, as of September 1, 1998 and as of April 20, 2001, respectively (the Original Exeter Indenture and such supplemental indentures being sometimes collectively referred to as the "*Exeter Indenture*"), and (b) the bonds then outstanding under the Exeter Indenture (the "*Exeter Bonds*") pursuant to a Consent and Agreement dated as of November 26, 2002 among Exeter, the Company and the holders of the Exeter Bonds and the Bonds outstanding under the Indenture; and

WHEREAS, on January 24, 2003 (i) each holder of an Exeter Bond exchanged such Exeter Bond for a bond issued by the Company under the Indenture containing substantially the same terms and provisions as such Exeter Bond, (ii) the Exeter Indenture was cancelled and discharged and (iii) the Exeter Bonds were cancelled; and

WHEREAS, there are now outstanding under the Indenture \$6,000,000 in principal amount of First Mortgage Bonds, Series I, \$10,000,000 in principal amount of First Mortgage Bonds, Series J, \$7,500,000 in principal amount of First Mortgage Bonds, Series K, \$9,000,000 in principal amount of First Mortgage Bonds, Series L, \$10,000,000 in principal amount of First Mortgage Bonds, Series M, \$7,500,000 in principal amount of First Mortgage Bonds, Series N, and \$15,000,000 in principal amount of First Mortgage Bonds, Series O and the Company proposes to issue \$15,000,000 in principal amount of additional First Mortgage Bonds of a new series designated as First Mortgage Bonds, Series P (hereinafter sometimes referred to as "*Series P Bonds*" or "*bonds of Series P*"); and

WHEREAS, all things have been done and performed which are necessary to make the Series P Bonds, when authenticated by the Trustee and issued as in the Indenture and herein provided, and to make this Fourteenth Supplemental Indenture, when executed and delivered by the Company and the Trustee, legal, valid and binding obligations of the Company;

NOW, THEREFORE, in consideration of the premises, and of the acceptance and purchase of the Series P Bonds by the holder thereof, and of other good and valuable consideration, the receipt whereof is hereby acknowledged, and in confirmation of and supplementing the Indenture and in performance of and compliance with the provisions thereof, the Company, by these presents, does give, grant, bargain, sell, warrant, pledge, assign, transfer, mortgage and convey unto the Trustee, as provided in the Indenture, and its successor or successors in the trust thereby and hereby created, and its and their assigns, all and singular, the property, and rights and interests in property, described in the Indenture and thereby conveyed, pledged, assigned,

transferred and mortgaged, or intended or required so to be (said descriptions in the 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 by the Trustee or sold or disposed of in whole or in part as permitted by the provisions of the Indenture and also, but without in any way limiting the generality of the foregoing, all the rights, titles, interests, easements and properties described as acquired by the Company in **Schedule A** hereto attached and hereby made a part hereof as fully as if set forth herein at length, and all proceeds of any of the foregoing at any time conveyed, pledged, assigned, transferred, mortgaged, paid or delivered to and from time to time held by the Trustee upon the trusts of the Indenture.

SUBJECT, HOWEVER, insofar as affected hereby, to any Permitted Encumbrances as defined in Section 1.01 of the Indenture, and, as to the property specifically described in Schedule A of the Indenture and in **Schedule A** hereof, to the liens, encumbrances, reservations, restrictions, conditions, limitations, covenants, interests and exceptions, if any, set forth or referred to in the descriptions thereof contained in said Schedules, none of which substantially interferes with the free use and enjoyment by the Company of the property and rights hereinabove described for the general purposes and uses of the Company's electric business;

AND SUBJECT FURTHER, as to all hereafter-acquired property, insofar as affected thereby, to any mortgages, encumbrances or liens on such after-acquired property existing at the time of such acquisition or contemporaneously created, conforming to the provisions of Section 8.07 of the Original Indenture;

BUT SPECIFICALLY RESERVING, EXCEPTING AND EXCLUDING from this instrument, and from 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 properties and rights of the kind specified in subclauses (a) to (d), both inclusive, of the paragraph beginning "But Specifically Reserving, Excepting and Excluding from this Indenture" of the granting clauses of the Indenture.

TO HAVE AND TO HOLD the trust estate, with all of the privileges and appurtenances thereunto belonging, unto the Trustee, its successors in the trusts of the Indenture, and its and their assigns, to its and their own use, forever;

BUT IN TRUST NEVERTHELESS, upon the terms and trusts set forth in the Indenture, for the equal *pro rata* benefit, security and protection (except as provided in Section 8.14 of the Indenture and except insofar as a sinking, improvement and analogous fund or funds, established in accordance with the provisions of the Indenture, or any indenture supplemental thereto, may afford particular security for bonds of one or more series) of the bearers and the registered owners of the bonds from time to time authenticated, issued and outstanding under the Indenture, and the bearers of the coupons appertaining thereto, without (except as aforesaid) 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 the principal of and premium, if any, and interest on the bonds at the times and in the manner therein and in the Indenture provided, and shall keep, perform and observe all and singular the covenants, agreements and provisions in the bonds and in the Indenture expressed to be kept, performed and observed by or on the part of the Company, then this Fourteenth Supplemental Indenture and the estate and rights hereby granted shall, pursuant to the provisions of Article XIII of the 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 ONE

SERIES P BONDS

Section 1.01. There shall be and is hereby created an additional series of bonds designated as and entitled "*First Mortgage Bonds, Series P.*" Series P Bonds shall be fully registered bonds without coupons, of the denomination of \$1,000 and multiples thereof. The bonds of Series P originally issued shall be dated the date of such issue and any bonds of Series P subsequently issued shall be dated as provided in Section 2.03 of the Indenture. All Series P Bonds shall mature on March 2, 2020, and shall bear interest at the rate of five and twenty-four hundredths percent (5.24%) per annum from their respective dates, such interest to be payable semi-annually in arrears on the second day of March and September and in each year commencing the second day of September, 2010, and shall bear interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at the rate of 7.24% per annum. The principal of, premium, if any, and interest on bonds of Series P shall be payable at the corporate trust office of U.S. Bank National Association, in Boston, Massachusetts, St. Paul, Minnesota, or at the corporate trust office designated by the Trustee or by its successors as Trustee hereunder, in lawful money of the United States of America, *provided* that the Company may enter into a written agreement with any registered Institutional Holder of the bonds of Series P providing that payment of interest thereon and of the redemption price of any portion of the principal amount thereof (including premium, if any) which may be redeemed shall be made directly to such holder or to its nominee, as the case may be, at a duly designated place of payment within the United States, without surrender or presentation of such bonds of Series P to the Trustee, *provided* that (A) there shall have been filed with the Trustee a copy of such agreement, (B) pursuant to such agreement such holder shall agree that it will not sell, transfer or otherwise dispose of any such bond of Series P in respect of which any such payment or redemption shall have been made unless, prior to the delivery thereof by it, either (i) it shall have made a clear and accurate notation of the amount of principal so redeemed upon any such bond to be transferred, or (ii) such bond of Series P shall have been presented to the Trustee for appropriate notation thereon of the portion of the principal amount thereof redeemed, or (iii) such bond or bonds of Series P shall have been surrendered in exchange for a new bond or bonds

of Series P for the unredeemed balance of the principal amount thereof in accordance with the other terms of the Indenture and (C) in such agreement such holder shall agree that prior to receiving any final payment of the entire remaining unpaid principal amount of any Series P Bond, the holder thereof shall be required to deliver such bond to the Trustee. For purposes of this **Section 1.01**, the term “*Institutional Holder*” shall mean any insurance company, bank, savings and loan association, trust company, investment company, charitable foundation, employee benefit plan (as defined in ERISA) or other institutional investor or financial institution. The text of the Series P Bonds and of the Trustee’s Certificate with respect thereto shall be respectively substantially of the tenor and purport set forth in **Schedule B** hereto. The Series P Bonds shall be numbered in such manner or by such method as shall be satisfactory to the Trustee.

The issue of bonds of Series P hereunder is hereby limited to the \$15,000,000 in aggregate principal amount of Series P Bonds initially issued as provided in **Section 1.08** hereof and to Series P Bonds issued in exchange or substitution for outstanding Series P Bonds under the provisions of Sections 2.08, 2.10, 2.11 and 7.05 of the Indenture and **Section 1.07** hereof.

Section 1.02. As a required sinking fund for the benefit of the Series P Bonds, the Company covenants that it will, on or prior to March 2 in each year, beginning with March 2, 2018, and continuing to and including March 2, 2020, pay to the Trustee immediately available funds sufficient to redeem, at par, Series P Bonds then outstanding, in the principal amount of Five Million Dollars (\$5,000,000) (or the remaining principal amount if less than \$5,000,000 principal amount of Series P Bonds at the time remains outstanding). The payments required for the sinking fund as above provided are in this **Section 1.02** and elsewhere in this Fourteenth Supplemental Indenture referred to as “*required sinking fund payments*” and the day following the latest date on which each such payment is required to be made is herein and therein referred to as a “*required sinking fund redemption date*.” Each required sinking fund payment shall be applied to the redemption of Series P Bonds on the applicable required sinking fund redemption date.

No redemption under **Section 1.04**, **1.05** or **1.06** hereof shall affect or reduce the obligation of the Company to provide for required sinking fund redemptions under this **Section 1.02** until all Series P Bonds shall have been paid in full.

Section 1.03. The Company will give notice, by registered mail, postage prepaid, or by a reputable overnight carrier to the Trustee and to each registered owner of a bond of Series P of any required or optional payment to be made pursuant to **Section 1.02**, **Section 1.04** or **Section 1.05** hereof not more than 60, nor less than 30, days prior to the required sinking fund redemption date (or other designated date of redemption in the case of a redemption pursuant to **Section 1.04** or **Section 1.05**).

Section 1.04. In addition to the required sinking fund provided by **Section 1.02** hereof, all of the bonds of Series P, or any part of the principal amount thereof constituting One Hundred Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, on not less than 15 days’ notice, pursuant to the provisions of Article

VII of the Indenture, and by payment of an amount equal to the Make Whole Amount, as defined below in this **Section 1.04** determined five Business Days prior to such redemption.

For purposes of this **Section 1.04**, the *Make Whole Amount* shall mean the greater of (i) the outstanding principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for such redemption, and (ii) the sum of (A) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed (taking into account each redemption required by **Section 1.02** above) and the amount of interest (exclusive of interest accrued to the date fixed for such redemption) that would have been payable in respect of each such dollar if such redemption had not been made, determined by discounting such amounts at the Reinvestment Rate (as hereinafter defined) from the respective dates on which they would have been payable to the date of such redemption, plus (B) interest accrued on the bonds to be redeemed to the date fixed for such redemption.

For purposes of any determination of the Make Whole Amount:

“Reinvestment Rate” shall mean (1) the sum of 0.50%, *plus* the yield reported on page “USD” of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in the United States government Securities) at 11:00 A.M. (Eastern time) on the fifth Business Day preceding the date the Make Whole Amount becomes due and payable pursuant to the foregoing provisions of this **Section 1.04** for the United States government Securities having a maturity (rounded to the nearest month) corresponding to the remaining Weighted Average Life to Maturity of the principal of the bonds being redeemed (taking into account the application of each redemption required by **Section 1.02**) or (2) in the event that no nationally recognized trading screen reporting on-line intraday trading in the United States government Securities is available, Reinvestment Rate shall mean the sum of 0.50%, *plus* the arithmetic mean of the yields for the two columns under the heading *“Week Ending”* published on the fifth Business Day preceding the date the Make Whole Amount becomes due and payable pursuant to the foregoing provisions of this **Section 1.04** in the Statistical Release under the caption *“Treasury Constant Maturities”* for the maturity (rounded to the nearest month) corresponding to the Weighted Average Life to Maturity of the principal amount of the bonds being redeemed (taking into account each redemption required by **Section 1.02**). If no maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two published maturities most closely corresponding to such Weighted Average Life to Maturity shall be calculated pursuant to the immediately preceding sentence, and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straightline basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make Whole Amount shall be used.

“Statistical Release” shall mean the then most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded U.S. Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66-2/3% in aggregate principal amount of outstanding Series P Bonds.

“Weighted Average Life to Maturity” of the principal amount of the bonds being redeemed shall mean, as of the time of any determination thereof, the number of years obtained by dividing the then Remaining Dollar-Years of such principal by the aggregate amount of such principal. The term *“Remaining Dollar-Years”* of such principal shall mean the amount obtained by (i) multiplying (x) the remainder of (1) the amount of principal that would have been payable on each scheduled redemption date under **Section 1.02** hereof if the redemption pursuant to this **Section 1.04** had not been made, less (2) the amount of principal on the bonds scheduled to become payable on each such redemption date under **Section 1.02** after giving effect to the redemption pursuant to this **Section 1.04**, by (y) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination and each such scheduled redemption date under **Section 1.02**, and (ii) totaling the products obtained in (i).

Section 1.05. Series P Bonds may be redeemed pursuant to Article XI of the Indenture (i) out of Trust Moneys required by Section 8.12 of the Indenture to be deposited with the Trustee, on any date and shall be redeemed for an amount equal to the principal amount of the bonds to be redeemed, plus interest accrued to the date of redemption; or (ii) out of Trust Moneys required by Sections 8.10, 10.03, 10.04 or 10.04A of the Indenture to be deposited with the Trustee, on any date and shall be redeemed for an amount equal to the Make Whole Amount, as defined above in **Section 1.04**.

Section 1.06. In the event that all or any part of the bonds of Series P shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such bonds of Series P shall be entitled to be paid thereafter an amount equal to the Make Whole Amount.

Section 1.07. Bonds of Series P, upon surrender thereof at the principal corporate trust office of the Trustee in Boston, Massachusetts, St. Paul, Minnesota, or other such office designated by the Trustee, may be exchanged for the same aggregate principal amount of other fully registered bonds of this Series.

Within a reasonable time after the receipt of a request for such an exchange, the Company shall issue and the Trustee shall authenticate and deliver all bonds required in connection therewith, and the Trustee shall make such exchange upon payment to it of such charge, if any, as is required by the following paragraph.

For any exchange of bonds of Series P, the Company, at its option, may require the payment of a sum sufficient to reimburse it for any stamp or other tax or governmental charge required to be paid by the Company or the Trustee.

Section 1.08. Upon the execution of this Fourteenth Supplemental Indenture and subject to the provisions of Article III of the Indenture and upon compliance with the applicable provisions of Articles IV of the Indenture (or waiver thereof duly obtained), the Company shall execute and deliver to the Trustee, and the Trustee shall authenticate and deliver to or upon the order of the Company, bonds of Series P in the form set forth in **Schedule B** hereto in the aggregate principal amount of Fifteen Million Dollars (\$15,000,000).

ARTICLE TWO

REDEMPTION

Section 2.01. In the case of any required sinking fund redemption pursuant to **Section 1.02** hereof, forthwith after the February 2 preceding each required sinking fund redemption date, and in the case of any proposed redemption pursuant to **Sections 1.04** or **1.05**, forthwith after the Trustee's receipt of proper notice from the Company of any such proposed redemption, the Trustee shall act in accordance with the provisions of Article VII of the Indenture.

The Company covenants that it will pay to the Trustee:

- (i) on or before the day prior to each required sinking fund redemption date, the sum required by **Section 1.02** hereof,
- (ii) on or before the day prior to the date proposed by the Company in a notice (which notice shall conform to the requirements of Article VII of the Indenture) of any redemption pursuant to **Section 1.04** or **1.05** hereof, the amount payable in accordance with such notice, and
- (iii) at the time of each required sinking fund redemption or other redemption the Company shall pay to the Trustee the amount of the charges which shall be due the Trustee and the amount of expenses which the Trustee advises the Company it has incurred or will incur in connection with such redemption.

ARTICLE THREE

COVENANTS OF THE COMPANY

Section 3.01. The Company covenants that it will not declare or pay dividends (other than in its own common stock) or make any other distribution on shares of its common stock or apply any of its property or assets (other than amounts equal to any proceeds received from the sale of common stock of the Company) to the purchase or retirement of, or make any other distribution through reduction of capital or otherwise, in respect of, any shares of its common stock if, after giving effect to such distribution, the aggregate of all such distributions declared, paid, made or applied subsequent to December 31, 2008, plus the amount of all dividends declared or accrued on any class of preferred stock of the Company subsequent to December 31, 2008, and any amounts charged to net income after December 31, 2008 in connection with the purchase or retirement of any shares of preferred stock of the Company would exceed an amount equal to net income of the Company available for dividends after December 31, 2008, plus the sum of \$26,300,000.

The term "*net income*", as applied to any period shall mean the net income (or deficit) of the Company for such period properly transferable to its earned surplus, all computed, if a

uniform system of accounts is prescribed by any commission or other governmental body having jurisdiction in the premises, in accordance with such uniform system; otherwise in accordance with accepted accounting practice, and in any event by deducting from the aggregate gross revenues of the Company for such period all expenses required to be deducted in computing earnings available for interest charges for such period in accordance with Section 4.02B of the Indenture, and also by deducting all interest requirements, taxes, amortization of debt discount and expense and other deferred charges, and all other non-operating expenses for such period.

ARTICLE FOUR

MISCELLANEOUS PROVISIONS

Section 4.01. The Company covenants that, except as to that part of the trust estate which may hereafter be acquired by it, it is now well seized of the physical properties by it hereby mortgaged or intended so to be and has good right, full power, and lawful authority to make this Fourteenth Supplemental Indenture and to subject such physical properties to the lien of the Indenture as hereby supplemented; and that, subject to the provisions of the Indenture as hereby supplemented, it has and will preserve good and indefeasible title to all such physical properties and will warrant and forever defend the same to the Trustee against the claims of all persons whomsoever.

Section 4.02. The use of terms and the construction of the provisions hereof shall be in accordance with the definitions, uses and constructions contained in the Indenture as hereby supplemented.

Section 4.03. The Trustee shall be entitled to, may exercise and shall be protected by, where and to the full extent that the same are applicable, with respect to the Series P Bonds herein provided for, all the rights, powers, privileges, immunities and exemptions provided in the Indenture as if the provisions concerning the same were incorporated herein at length. The recitals and statements in this Fourteenth Supplemental Indenture and in the Series P Bonds (other than the Trustee's Certificate attached thereto) shall be taken as statements 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 Fourteenth Supplemental Indenture or of the Series P Bonds, and the Trustee makes no covenant or representation, and shall not be responsible, as to and for the effect, authorization, execution, delivery or recording of this Fourteenth Supplemental Indenture. The Trustee shall not be taken impliedly to waive by this Fourteenth Supplemental Indenture any right it would otherwise have. As provided in the Indenture, this Fourteenth Supplemental Indenture shall hereafter form a part of the Indenture.

The remedies and provisions of the Indenture applicable in case of any default by the Company thereunder are hereby adopted and made applicable in case of any default with respect to the properties included herein and, without limitation of the generality of the foregoing, there are hereby conferred upon the Trustee the same powers of sale and other powers over the properties described herein as are expressly to be conferred by the Indenture.

Section 4.04. The Series P Bonds issued under this Fourteenth Supplemental Indenture are subject to the terms of the Indenture.

Section 4.05. This Fourteenth Supplemental Indenture shall become void when the Indenture shall be void.

Section 4.06. This Fourteenth Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 4.07. The cover of this Fourteenth Supplemental Indenture and all article and descriptive headings herein are inserted for convenience only, and shall not effect any construction or interpretation hereof.

IN WITNESS WHEREOF, Unitil Energy Systems, Inc. has caused this instrument to be executed in its corporate name by its President, one of its Vice Presidents, its Treasurer or its Assistant Treasurer and its corporate seal to be hereunto affixed and to be attested by the Secretary of the Board of Directors or its Secretary, and U.S. Bank National Association, to evidence its acceptance of the trust hereby created, has caused this instrument to be executed in its corporate name, all as of the day and year first above written.

Attest:

UNITIL ENERGY SYSTEMS, INC.

Secretary

By: _____
Name: _____
Title: _____

Signed, sealed and delivered by
Unitil Energy Systems, Inc.
in the presence of us:

(Corporate Seal)

U.S. BANK NATIONAL ASSOCIATION, TRUSTEE

By: _____
Authorized Officer

Signed and delivered by
U.S. Bank National Association
in the presence of us:

ENDORSEMENT

U.S. Bank National Association, Trustee, being the trustee under the foregoing Fourteenth Supplemental Indenture, hereby consents to the cutting of any timber standing upon any of the lands conveyed by the said Fourteenth Supplemental Indenture and to the sale of any such timber so cut as well as any personal property conveyed by said Fourteenth Supplemental Indenture to the extent, but only to the extent, that such cutting and sale is permitted under the provisions of the Indenture referred to in said Fourteenth Supplemental Indenture.

Dated: Boston, Massachusetts, March 2, 2010.

U.S. BANK NATIONAL ASSOCIATION,
Trustee

By: _____
Authorized Officer

Signed and delivered by
U.S. Bank National Association
in the presence of us:

**UNITIL ENERGY SYSTEMS, INC.
FOURTEENTH SUPPLEMENTAL INDENTURE
SCHEDULE A**

**DESCRIPTION OF CERTAIN LAND AND EASEMENTS
ACQUIRED BY THE COMPANY SINCE SEPTEMBER 26, 2006
AND SUPPLEMENT TO SCHEDULE A OF THIRTEENTH
SUPPLEMENTAL INDENTURE**

1. PARCELS ACQUIRED:
 - a. Land off Curtisville Road, Concord, NH from City of Concord to UNITIL Energy Systems, Inc. dated December 31, 2008 and recorded with the Merrimack County Registry of Deeds on March 31, 2009 at Book 3119, Page 774.
 - b. Land from Hodges Properties, Inc. to UNITIL Energy Systems, Inc. dated February 28, 2007 and recorded with the Merrimack County Registry of Deeds on September 10, 2007 at Book 3017, Page 869.
2. EASEMENTS AND RIGHTS ACQUIRED FOR TRANSMISSION LINES:
 - a. Twenty foot by twenty foot Easement conveyed by deed of Karjen, L.L.C. to UNITIL Energy Systems, Inc. dated August 10, 2007 and recorded with the Merrimack County Registry of Deeds on August 22, 2007 at Book 3013, Page 683.
 - b. Easement conveyed by deed of Hodges Development Corporation to UNITIL Energy Systems, Inc. dated February 28, 2007 and recorded with the Merrimack County Registry of Deeds on September 10, 2007 at Book 3017, Page 873.
 - c. Utility Access Easement conveyed by deed of City of Concord to UNITIL Energy Systems, Inc. dated December 31, 2008 and recorded with the Merrimack County Registry of Deeds on March 31, 2009 at Book 3119, Page 746.
 - d. Utility Easement conveyed by deed of City of Concord to UNITIL Energy Systems, Inc. dated December 31, 2008 and recorded with the Merrimack County Registry of Deeds on March 31, 2009 at Book 3119, Page 779.
 - e. Utility Easement Deed conveyed by John J. Cunningham Sr., Patricia Cunningham and John J. Cunningham Jr. to UNITIL Energy Systems, Inc. dated September 14, 2006 and recorded with the Rockingham County Registry of Deeds on October 23, 2006 at Book 4723, Page 883.

SCHEDULE A
(to Fourteenth Supplemental Indenture)

- f. Utility Easement Deed from DDR Seabrook LLC to UNITIL Energy Systems, Inc. dated January 29, 2007 and recorded with the Rockingham County Registry of Deeds on March 16, 2007 at Book 4776, Page 2749.

3. EASEMENT ACQUIRED FOR TRANSMISSION LINE NOT INCLUDED ON SCHEDULE A FOR THIRTEENTH SUPPLEMENTAL INDENTURE:

- a. Utility Easement Deed from Dennis Sweeney, Robert Sweeney and Wanda Price to UNITIL ENERGY SYSTEMS, INC. dated July 24, 2006 and recorded with the Rockingham County Registry of Deeds on September 1, 2006 at Book 4702, Page 2097.

**DESCRIPTION OF CERTAIN LAND AND EASEMENTS
CONVEYED BY THE COMPANY SINCE SEPTEMBER 26, 2006**

1. PARCELS CONVEYED:
 - a. UNITIL Energy Systems Inc. to City of Concord dated December 30, 2008 and recorded with the Merrimack County Registry of Deeds on March 31, 2009 at Book 3119, Page 762.
 - b. Conservation Easement from UNITIL Energy Systems, Inc. to Society for the Protection of New Hampshire Forests dated December 30, 2008 and recorded with the Merrimack County Registry of Deeds on March 31, 2009 at Book 3119, Page 724.
 - c. Conservation Easement from UNITIL Energy Systems, Inc. to City of Concord dated December 30, 2008 and recorded with the Merrimack County Registry of Deeds on March 31, 2009 at Book 3119, Page 784.
2. EASEMENTS AND RIGHTS CONVEYED CONCERNING TRANSMISSION LINES:
 - a. Easement conveyed by deed of UNITIL Energy Systems, Inc. to City of Concord dated October 24, 2006 and recorded with the Merrimack County Registry of Deeds on November 22, 2006 at Book 2946, Page 812.
 - b. Quitclaim Deed and Release of Utility Easement conveyed by deed of UNITIL Energy Systems, Inc. to FPL Energy Seabrook, LLC dated December 17, 2007 and recorded with the Rockingham County Registry of Deeds on January 25, 2008 at Book 4880, Page 2317.
 - c. Quitclaim Deed and Release of Utility Easement conveyed by deed of UNITIL Energy Systems, Inc. to DDR Seabrook, LLC dated December 20, 2006 and recorded with the Rockingham County Registry of Deeds on April 18, 2007 at Book 4788, Page 2597.

SCHEDULE B

(Form of Series P Fully Registered Bond without Coupons)

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR APPLICABLE STATE SECURITIES LAWS. THIS BOND HAS BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO DISTRIBUTION OR RESALE, AND MAY NOT BE SOLD, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE STATE SECURITIES LAWS, OR THE AVAILABILITY OF AN EXEMPTION FROM THE REGISTRATION PROVISIONS OF THE SECURITIES ACT OF 1933 AND APPLICABLE STATE SECURITIES LAWS.

No. PR—

\$ _____

UNITIL ENERGY SYSTEMS, INC.

First Mortgage Bond, Series P, 5.24%

Due March 2, 2020

PPN: 913260 B@3

Unitil Energy Systems, Inc., a corporation organized under the laws of the State of New Hampshire (hereinafter called the “*Company*”), for value received, hereby promises to pay to _____ or registered assigns, on the second day of March, 2020, the principal sum of _____ Dollars (\$ _____) and to pay interest thereon from the date hereof at the rate of five and twenty-four hundredths per centum (5.24%) per annum (computed on the basis of a thirty (30) day month and a three hundred sixty (360) day year) payable semi-annually in arrears on the second day of March and September in each year, commencing with the second day of September, 2010, until said principal sum is paid; and to pay interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue payment of interest at the rate of 7.24% per annum. The principal of, premium, if any, and the interest on this bond shall be payable at the corporate trust office of U.S. Bank National Association, in Boston, Massachusetts, St. Paul, Minnesota, or at the corporate trust office designated by the Trustee or by its successor trustee of the trust hereinafter referred to, or at the option of certain holders in accordance with the provisions of Section 1.01 of the Fourteenth Supplemental Indenture hereinafter referred to, in lawful money of the United States of America.

This bond is one of a duly authorized issue of First Mortgage Bonds of the Company limited as to aggregate principal amount as set forth in the Indenture hereinafter mentioned, issuable in series, and is one of a series known as First Mortgage Bonds, Series P, all bonds of all series being issued and to be issued under and pursuant to and all equally secured (except as any sinking or other fund, established in accordance with the provisions of the Indenture hereinafter

SCHEDULE B

(to Fourteenth Supplemental Indenture)

mentioned, may afford additional security for the bonds of any particular series) by an Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (herein called the "*Original Indenture*") duly executed and delivered by the Company to Old Colony Trust Company (The First National Bank of Boston, and State Street Bank and Trust Company being the initial successor Trustees and U.S. Bank National Association being the current successor Trustee, the "*Trustee*"), to which Original Indenture, as amended and restated by the Twelfth Supplemental Indenture, and supplemented by a Thirteenth Supplemental Indenture dated as of September 26, 2006, and a Fourteenth Supplemental Indenture (the "*Fourteenth Supplemental Indenture*") dated as of March 2, 2010 (herein together called the "*Indenture*") reference is hereby made for a description of the property transferred, assigned and mortgaged thereunder, the nature and extent of the security, the terms and conditions upon which the bonds are secured and additional bonds may be issued and secured, and the rights of the holders or registered owners of said bonds, of the Trustee and of the Company in respect of such security. Neither the foregoing reference to the Indenture, nor any provision of this bond or of the Indenture, shall affect or impair the obligation of the Company, which is absolute, unconditional and unalterable, to pay, at the stated or accelerated maturities herein provided, the principal of and premium, if any, and interest on this bond as herein provided.

Bonds of this Series P are entitled to the benefit of a required sinking fund provided for in the Fourteenth Supplemental Indenture and shall become subject to redemption for the purposes of such sinking fund at the principal amount thereof without premium, plus interest accrued thereon to the date of such redemption, all on the conditions and in the manner provided in the Fourteenth Supplemental Indenture.

Bonds of this Series P are also redeemable, in whole or in part, in integral multiples of one hundred thousand dollars, at the option of the Company on any date on at least 15 days' notice, in the manner, with the effect, subject to the limitations and for the amounts specified in Section 1.04 of the Fourteenth Supplemental Indenture.

On the conditions and in the manner provided in Section 1.05 of the Fourteenth Supplemental Indenture, Series P Bonds may also become subject to redemption, in whole or in part, at any time on at least 15 days' notice, in the manner, with the effect and for the amounts specified in said Section 1.05, by the use of moneys deposited with or paid to the Trustee as the proceeds of the sale or condemnation of property of the Company or as the proceeds of insurance policies deposited with or paid to the Trustee because of damage to or destruction of property of the Company.

In the event that all or any part of the bonds of this Series P shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such Series P Bonds shall be entitled to be paid therefor an amount specified in Section 1.06 of the Fourteenth Supplemental Indenture.

The Indenture provides that, if notice of redemption of any bond issued pursuant to its terms, including the Series P Bonds, or of any portion of the principal amount of any such bond

selected for redemption has been duly given, then such bond or such portion thereof shall become due and payable on the redemption date, and, if the redemption price shall have been duly deposited with the Trustee, interest thereon shall cease to accrue from and after the redemption date, and that whenever the redemption price thereof shall have been duly deposited with the Trustee and notice of redemption shall have been duly given, or provision thereof made as provided in the Indenture, such bond or such portion thereof shall no longer be entitled to any lien or benefit of the Indenture.

In case an Event of Default, as defined in the Indenture, occurs, the principal of this bond may become or may be declared due and payable prior to the stated maturity hereof in the manner and with the effect and subject to the conditions provided in the Indenture.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, upon books of the Company to be kept for that purpose at the corporate trust office of the Trustee under the Indenture, upon surrender thereof at said office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds, of like form and in an authorized denomination or in authorized denominations and of the same series, for the same aggregate principal amount. Bonds of Series P upon surrender thereof at said office may be exchanged for the same aggregate principal amount of fully registered bonds of Series P of another authorized denomination or other authorized denominations, all upon payment of the charges, if any, and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for all purposes.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, any of the provisions of the Indenture or of any instrument supplemental thereto may be modified by the assent or authority of the holders of at least seventy-five per centum (75%) in principal amount of the bonds then outstanding thereunder, *provided, however*, that no such modification shall (i) extend the time or times or payment of the principal of, or the interest or premium, if any, on any bond, (ii) reduce the principal amount thereof or the rate of interest or premium thereon, (iii) authorize the creation of any lien prior or equal to the lien of the Indenture upon any property subject to the lien thereof, or deprive any bondholder of the benefit of the lien of the Indenture, (iv) affect the rights under the Indenture of the holders of one or more, but less than all, of the series of bonds outstanding thereunder unless assented to by the holders of seventy-five per centum (75%) in aggregate principal amount of bonds outstanding thereunder of each of the series so affected, (v) reduce the percentage of bonds, the holders of which are required to assent to any such modification, or (vi) in any manner affect the rights or obligations of the Trustee without its written consent thereto.

No recourse shall be had for the payment of the principal of or the interest on this bond or of any claim based hereon or in respect hereof or of the Indenture, against any incorporator, stockholder, officer or director of the Company, or of any successor company, whether by virtue of any statute or rule of law or by the enforcement of any assessment of penalty or otherwise, all

such liability being by the acceptance hereof expressly waived and released and being also waived and released by the terms of the Indenture.

This bond shall not be valid nor become obligatory for any purpose until it shall have been authenticated by the execution of the certificate hereon endorsed by the Trustee under the Indenture.

IN WITNESS WHEREOF, Unitil Energy Systems, Inc. has caused this bond to be signed in its name by its President or one of its Vice Presidents and its corporate seal to be hereunto affixed and attested by its Treasurer or one of its Assistant Treasurers, and this bond to be dated the _____ day of March, 2010.

UNITIL ENERGY SYSTEMS, INC.

By

Name: _____

Title: _____

ATTEST: _____

(Corporate Seal)

(Form of Trustee's Certificate for all Bonds of Series P)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the First Mortgage Bonds, Series P, referred to in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION
Trustee

By: _____
Authorized Officer

(Form of Notation of Payments on Account of Principal)

Payments on Account of Principal

Date	Amount Paid	Signature

(Form of Endorsement)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within bond, and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said bond on the books of the Company, with full power of substitution in the premises.

Dated: _____

Signature of Registered Owner

In the presence of _____

NOTICE: The signature of this assignment must correspond with the name of the payee as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

EXECUTION COPY

UNITIL ENERGY SYSTEMS, INC.

\$15,000,000 AGGREGATE PRINCIPAL AMOUNT OF FIRST MORTGAGE BONDS, SERIES P,
DUE MARCH 2, 2020

BOND PURCHASE AGREEMENT

DATED AS OF MARCH 2, 2010

TABLE OF CONTENTS

SECTION	HEADING	PAGE
SECTION 1.	AUTHORIZATION OF BONDS	1
SECTION 2.	SALE AND PURCHASE OF BONDS	1
SECTION 3.	CLOSING	1
SECTION 4.	CONDITIONS TO CLOSING.....	2
Section 4.1.	Representations and Warranties.....	2
Section 4.2.	Performance; No Default	2
Section 4.3.	Compliance Certificate	2
Section 4.4.	Regulatory Approvals	2
Section 4.5.	Legal Opinions.....	2
Section 4.6.	Compliance with the Indenture.....	2
Section 4.7.	Equity Contribution	3
Section 4.8.	Proceedings and Documents	3
Section 4.9.	Private Placement Number	3
SECTION 5.	REPRESENTATIONS AND WARRANTIES OF THE COMPANY.....	3
Section 5.1.	Organization, Standing, Due Authorization.....	3
Section 5.2.	Capitalization	4
Section 5.3.	Subsidiaries	4
Section 5.4.	Qualification	4
Section 5.5.	Franchises; Etc	4
Section 5.6.	Financial Statements	4
Section 5.7.	Changes; Etc	5
Section 5.8.	Tax Returns and Payments.....	5
Section 5.9.	Title to Properties.....	5
Section 5.10.	Litigation; Etc	6
Section 5.11.	Compliance with Other Instruments, Etc.....	6
Section 5.12.	ERISA	6
Section 5.13.	Regulatory Jurisdiction and Approvals.....	7
Section 5.14.	Patents; Trademarks; Etc	8
Section 5.15.	Offer of Bonds	8
Section 5.16.	Investment Company Act Status.....	8
Section 5.17.	Federal Reserve Regulations.....	8
Section 5.18.	Foreign Credit Restraints	8
Section 5.19.	Disclosure	8
Section 5.20.	Sale Is Legal and Authorized.....	9
Section 5.21.	No Defaults	9
Section 5.22.	Compliance with Environmental Laws.....	9

Section 5.23.	Foreign Assets Control Regulations, Etc	10
SECTION 6.	USE OF PROCEEDS.....	10
SECTION 7.	PURCHASERS' REPRESENTATIONS AND WAIVER.....	10
Section 7.1.	Purchasers' Representations	10
Section 7.2.	Waiver.....	13
SECTION 8.	COVENANTS.....	13
Section 8.1.	Punctual Payment.....	13
Section 8.2.	Delivery Expenses	13
Section 8.3.	Issue Taxes.....	13
Section 8.4.	Interest Coverage Fee	14
SECTION 9.	INFORMATION AS TO THE COMPANY	15
Section 9.1.	Accounting; Financial Statements and Other Information	15
Section 9.2.	Inspection.....	16
Section 9.3.	Confidential Information	17
SECTION 10.	HOME OFFICE PAYMENT.....	18
SECTION 11.	DEFINITIONS; ACCOUNTING PRINCIPLES.....	19
Section 11.1.	Definitions.....	19
Section 11.2.	Accounting Principles.....	21
SECTION 12.	EXPENSES; ETC	22
SECTION 13.	SURVIVAL OF AGREEMENTS; ETC	22
SECTION 14.	AMENDMENTS AND WAIVERS	23
SECTION 15.	NOTICES; ETC	23
SECTION 16.	FURTHER ASSURANCES.....	23
SECTION 17.	MISCELLANEOUS	23
SECTION 18.	SEVERABILITY	23

SCHEDULES AND EXHIBITS:

Schedule I	—	Name and Address of Purchasers
Exhibit A	—	Form of Fourteenth Supplemental Indenture
Exhibit B	—	Form of Opinion of Special Counsel for the Purchasers
Exhibit C	—	Form of Opinion of Counsel for the Company
Exhibit D	—	Form of Opinion of Gary Epler, Chief Regulatory Counsel for Unitil Service Corp.

UNITIL ENERGY SYSTEMS, INC.
6 Liberty Lane West
Hampton, New Hampshire 03842-1720

Dated as of March 2, 2010

To the Purchasers named in Schedule I
attached hereto

Ladies and Gentlemen:

Unitil Energy Systems, Inc. (the “*Company*”), a New Hampshire corporation, agrees with the Purchasers named on **Schedule I** of this Agreement (the “*Purchasers*”) as follows:

SECTION 1. AUTHORIZATION OF BONDS.

The Company has authorized the issue and sale of \$15,000,000 aggregate principal amount of its First Mortgage Bonds, Series P, due March 2, 2020 (the “*Bonds*”), such Bonds to be substantially in the form attached as **Schedule B** to the form of Fourteenth Supplemental Indenture, attached hereto as **Exhibit A**, to the Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (the “*Original Indenture*”) from the Company to Old Colony Trust Company, which has been succeeded by U.S. Bank National Association, a national banking association, having an office and place of business in Boston, Massachusetts (the “*Trustee*”). The Fourteenth Supplemental Indenture, in the form attached hereto as **Exhibit A** (with such changes to such form as you and the Company may agree to prior to the Closing Date), is herein referred to as the “*Fourteenth Supplemental Indenture*”. The Original Indenture, as supplemented by eleven Supplemental Indentures thereto, as amended and restated by the Twelfth Supplemental Indenture, and as further supplemented by the Thirteenth Supplemental Indenture and as may be further supplemented from time to time, is referred to as the “*Indenture*”. Capitalized terms used herein are defined in **Section 11** hereof.

The Bonds will be issued under and secured by the Indenture and the Fourteenth Supplemental Indenture.

SECTION 2. SALE AND PURCHASE OF BONDS.

The Company will issue and sell to the Purchasers and, subject to the terms and conditions hereof, the Purchasers will purchase from the Company, at a purchase price of 100% of the principal amount thereof, on the Closing Date, Bonds in the aggregate principal amount of Fifteen Million Dollars (\$15,000,000).

SECTION 3. CLOSING.

The closing of the sale and purchase of the Bonds (the “*Closing*”) shall take place at the offices of Dewey & LeBoeuf LLP, 260 Franklin Street, Boston, Massachusetts 02110 at 10:00

a.m., Boston time on March 2, 2010 or on such other business day not later than March 31, 2010 as may be mutually agreed upon by the Purchasers and the Company (the "*Closing Date*"). At the Closing the Company will deliver to each Purchaser the Bonds in the form of a single registered Bond (unless different denominations are specified by such Purchaser) dated the Closing Date for the full amount of the purchase price and registered in such Purchaser's name or in the name of such Purchaser's nominee, all as such Purchaser may specify at any time prior to the date fixed for delivery, against receipt of the purchase price payable by wire transfer of immediately available funds to such account as the Company shall notify each Purchaser in writing at least two days prior to the Closing Date. If at the Closing the Company shall fail to tender such Bond as provided herein, or if at the Closing any of the conditions specified in **Section 4** shall not have been fulfilled, each Purchaser shall, at its election, be relieved of all further obligations to purchase Bonds under this Agreement, without thereby waiving any other rights it may have by reason of such failure or such nonfulfillment.

SECTION 4. CONDITIONS TO CLOSING.

The obligation of each Purchaser to purchase the Bonds to be sold to it at the Closing is subject to the fulfillment, prior to or at the Closing, of the following conditions:

Section 4.1. Representations and Warranties. The representations and warranties of the Company in **Section 5** shall be correct when made and at the time of the Closing.

Section 4.2. Performance; No Default. The Company shall have performed and complied with all agreements and conditions contained herein required to be performed or complied with by it prior to or at the Closing, and at the time of the Closing no condition or event shall exist which constitutes or which, after notice or lapse of time or both, would constitute an Event of Default.

Section 4.3. Compliance Certificate. The Company shall have delivered to each Purchaser an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in **Sections 4.1** and **4.2** hereof have been fulfilled.

Section 4.4. Regulatory Approvals. The issue and sale of the Bonds shall have been duly authorized by order of the New Hampshire Public Utilities Commission (the "*NHPUC*"), such order shall be in full force and effect at the time of the Closing and all appeal periods applicable to such order shall have expired.

Section 4.5. Legal Opinions. Each Purchaser shall have received from Chapman and Cutler LLP, who is acting as special counsel to the Purchasers in this transaction, from Dewey & LeBoeuf LLP, counsel for the Company, and from Gary Epler, Chief Regulatory Counsel for Unitol Service Corp., their respective opinions, dated the Closing Date, substantially in the forms of **Exhibits B, C and D** attached hereto.

Section 4.6. Compliance with the Indenture. The Company shall have obtained from the requisite percentage of holders of Bonds Outstanding (as defined under the Indenture) a written waiver of the Earnings Available for Interest Charges test required under Section 4.04 of the

Indenture for the issuance of the subject Bonds (the “*EAIC Test*”), in form satisfactory to the Purchasers. Except as expressly provided in the waiver referred to in the preceding sentence, the Company shall have performed and complied with all agreements and conditions contained in the Indenture which are required to be performed or complied with by the Company for the issuance of the Bonds.

Section 4.7. Equity Contribution. After January 1, 2010 and prior to the Closing Date, Unital (as defined below) shall have made an equity contribution of \$5,000,000 to the Company (the “*Equity Contribution*”).

Section 4.8. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated hereby and all documents and instruments incident to such transactions shall be satisfactory in substance and form to each Purchaser and its special counsel, and each Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as they may reasonably request.

Section 4.9. Private Placement Number. The Company shall have obtained from Standard & Poor’s Corporation and provided to you a Private Placement Number for the Bonds.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants that:

Section 5.1. Organization, Standing, Due Authorization. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of New Hampshire and has all requisite corporate power and authority to own and operate its properties, to carry on its business as now conducted, to enter into this Agreement, to issue and sell the Bonds and to carry out the terms hereof and thereof. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by the Company’s Board of Directors, and no approval of the stockholders of the Company is required in connection therewith.

Section 5.2. Capitalization. The Company's authorized and outstanding capital stock is as follows:

TITLE OF CLASS	SHARES AUTHORIZED	SHARES OUTSTANDING
Common Stock, no par value	250,000	131,746
Non-Redeemable, Non-Cumulative Preferred Stock, \$100 par value, 6.00% Series	2,250	2,250

All of the Company's outstanding capital stock is validly issued, fully paid and non-assessable.

Section 5.3. Subsidiaries. Other than holdings of capital stock which, individually and in the aggregate, are immaterial to the business and financial condition of the Company, the Company does not own any shares of capital stock or shares of beneficial interest of any corporation or other entity.

Section 5.4. Qualification. In all jurisdictions where the Company owns real property or maintains any place of business, it is either qualified to do business and in good standing or such qualification can readily be obtained without substantial penalty and the failure to qualify in jurisdictions where the Company has not done so will not have a Material Adverse Effect.

Section 5.5. Franchises; Etc. The Company has all franchises, certificates of convenience and necessity, operating rights, licenses, permits, consents, approvals, authorizations and orders of governmental bodies, political subdivisions and regulatory authorities, free from unduly burdensome restrictions, as are reasonably necessary for the ownership of the properties now owned and operated by it, the maintenance and operation of the properties now operated by it and the conduct of the business now conducted by it.

Section 5.6. Financial Statements. (a) The Company has furnished to each Purchaser (i) the Company's financial statements for each of its fiscal years ended December 31, 2006, 2007 and 2008 (the "*Annual Reports*"), containing balance sheets as at the end of such fiscal years and the related statements of earnings, retained earnings and cash flows of the Company for such fiscal years, as certified by Caturano and Company, P.C., independent certified public accountants; and (ii) unaudited financial statements of the Company for the nine months ending September 30, 2009, including a balance sheet as at such date and statements of earnings and retained earnings for such period (together with the Annual Reports, the "*Company Reports*").

(b) Subject to any qualifications set forth in the accompanying reports of independent certified public accountants, all such financial statements are complete and correct (subject, in the case of such unaudited financial statements, to year-end and audit adjustments) and have been prepared in accordance with generally accepted accounting principles applied on a

consistent basis throughout the periods covered thereby. Such balance sheets (together with the pertinent notes thereto) fairly present the financial condition of the Company as at the respective dates indicated, and in each case reflect all known liabilities, contingent or otherwise, at such dates, all in accordance with generally accepted accounting principles, and such statements of earnings, retained earnings and cash flows fairly present the results of the operations of the Company for the respective periods indicated.

Section 5.7. Changes; Etc. Since December 31, 2008: (a) except as disclosed in the reports on Forms 10-K, 10-Q and 8-K filed since such date by Unitil Corporation (“Unitil”), owner of all of the outstanding common stock of the Company, with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Exchange Act Reports”) or the Company Reports, there has been no material adverse change in the assets, liabilities or financial condition of the Company from that reflected in the balance sheet as at December 31, 2008 referred to in **Section 5.6** or otherwise previously disclosed in writing, other than changes in the ordinary course of business; (b) neither the business, operations or affairs of the Company nor any of its properties or assets have been materially adversely affected by any occurrence or development (whether or not insured against) except as disclosed in the Exchange Act Reports or the Company Reports or otherwise previously disclosed in writing; and (c) except as otherwise disclosed in writing, the Company has not, prior to the Closing Date, directly or indirectly, declared, paid or made any dividend or distribution on or on account of any shares of capital stock of the Company or any redemption, retirement, purchase or other acquisition of any shares of capital stock of the Company, or agreed to do so, except for the payment of regular cash dividends on its Common Stock and its Non-Redeemable, Non-Cumulative Preferred Stock.

Section 5.8. Tax Returns and Payments. All tax returns of the Company required by law to be filed have been duly filed, and all taxes, assessments, fees and other governmental charges upon the Company shown to be due on such returns have been paid. The federal income tax liability of the Company has been finally determined by the Internal Revenue Service (the “IRS”) and satisfied through the fiscal year ended December 31, 2005. The charges, accruals and reserves on the books of the Company in respect of income taxes for all fiscal periods are adequate in the opinion of the Company and, except as disclosed in the Exchange Act Reports or the Company Reports, the Company knows of no unpaid assessment for additional income taxes for any fiscal period or of any basis therefor. As of the date of this Agreement, the IRS is auditing Unitil and its subsidiaries (including the Company) in relation to the fiscal years ended December 31, 2006, 2007 and 2008. The Company does not believe the outcome of the foregoing IRS audit will have a Material Adverse Effect.

Section 5.9. Title to Properties. (a) The Company has good and marketable title to all the real property and a good and valid ownership interest in all the other assets reflected in the most recent balance sheet referred to in **Section 5.6** or subsequently acquired, other than real property and other assets subsequently sold or otherwise disposed of in the ordinary course of business, subject in each case to no Liens except (i) the Lien created by the Indenture and (ii) other Liens permitted by the Indenture which do not materially detract from the value of the respective properties subject thereto or materially impair the operations of the Company.

(b) The Properties specifically to be included as mortgaged as set forth in the granting clauses of the Indenture (including the granting clauses included in the Fourteenth Supplemental Indenture), other than properties released from the lien thereof pursuant to the terms thereof, are owned by the Company, located in New Hampshire and constitute substantially all of the Property of the Company except certain Property which is not "Public Utility Property" (as defined in Section 10.04A of the Indenture), which Property has heretofore been duly released from the lien of the Indenture pursuant to Section 10.04A thereof (the "*Excepted Property*"). All of the real estate and other Property which is reflected in the balance sheet of the Company as of December 31, 2008 referred to in **Section 5.6**, and all of the rights of way, easements, grants, permits, privileges, franchises and other rights necessary to the operation of said Property, are subject to the Indenture as a first lien thereon (subject only to Liens permitted by the Indenture) except properties expressly excluded from said lien of the Indenture by the provisions thereof (including the Excepted Property). The Company has not agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its Property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by the Indenture.

(c) None of the Properties or assets reflected in the balance sheet of the Company as of December 31, 2008 referred to in **Section 5.6** is held by the Company as lessee under any lease (other than certain leasehold improvements which are being written off over the life of the lease) or as conditional vendee under any conditional sales contract or other title retention agreement.

Section 5.10. Litigation; Etc. There is no action, proceeding or investigation pending or, to the Company's knowledge, threatened (or any basis therefor known to the Company) which questions the validity of this Agreement or the Bonds or any action taken or to be taken pursuant hereto or thereto, nor, other than as described below and except as disclosed in the Exchange Act Reports or the Company Reports, is there any action, proceeding or investigation pending or, to the Company's knowledge, threatened (or any basis therefor known to the Company) which might result, either in any case or in the aggregate, in any material adverse change in the business, operations, affairs or condition of the Company or its Properties and assets or in any material liability on the part of the Company. As of the date of this Agreement, the IRS is auditing Unitil and its subsidiaries (including the Company) in relation to the fiscal years ended December 31, 2006, 2007 and 2008.

Section 5.11. Compliance with Other Instruments, Etc. The Company is not in violation of any term of its Articles of Incorporation or By-Laws, or, to the Company's knowledge, in violation of any term of any franchise, license, permit, agreement, indenture, instrument, judgment, decree, order, statute, or governmental rule or regulation applicable to it so as to materially and adversely affect, either individually or in the aggregate, its financial condition; and the execution, delivery and performance of this Agreement and the Bonds will not result in any such violation or be in conflict with or constitute a default under any term of any of the foregoing and will not result in the creation of any mortgage, lien, charge or encumbrance upon any of the Properties or assets of the Company pursuant to any such term.

Section 5.12. ERISA. (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws. There have been no instances of

noncompliance which could reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions, or to Code Sections 401(a)(29) or 412, replaced by Code Sections 436 and 430, respectively, effective January 1, 2008, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) As of December 31, 2008, the present value of all projected benefit obligations under each Plan subject to Title IV of ERISA (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not exceed by more than \$31.3 million the fair market value of the assets of such Plans allocable to such accrued benefits.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) As of December 31, 2008, the Company's expected post-retirement benefit obligation (determined in accordance with Financial Accounting Standards Board Statement No. 106 without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) was approximately \$15.2 million. The Company reasonably expects to recover this amount in utility rates as more fully described in the notes to the Company's September 30, 2009 financial statements (which refer to the notes in the Company's December 31, 2008 financial statements). Accordingly, the Company does not believe that this post-retirement benefit obligation will have a Material Adverse Effect.

(e) The execution and delivery of this Agreement and the issuance and sale of the Series P Bonds hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this **Section 5.12(e)** is made in reliance upon and subject to the accuracy of the Purchaser's representation in **Section 7(b)** as to the sources of the funds used to pay the purchase price of the Bonds.

Section 5.13. Regulatory Jurisdiction and Approvals. The Company is subject to regulation by the NHPUC with respect to retail rates, adequacy of service, issuance of securities, accounting and other matters; and to regulation by the Federal Energy Regulatory Commission ("*FERC*") under the Energy Policy Act of 2005 in regards to certain bookkeeping, accounting and reporting requirements. The issuance and sale of the Bonds has been authorized by order of the NHPUC, which has become final and all applicable appeal periods with respect to the NHPUC order have expired. No order, consent, approval or authorization of, or any declaration or filing with, any other Governmental Authority is required as a condition precedent to the valid

offering, issue, sale and delivery of the Bonds by the Company and the consummation by the Company of the transactions contemplated hereby.

Section 5.14. Patents; Trademarks; Etc. The Company owns or possesses all of the patents, trademarks, service marks, trade names and copyrights, and all rights of use with respect to the foregoing, necessary for the conduct of its business as now conducted, without any known conflict with the rights of others.

Section 5.15. Offer of Bonds. Neither the Company nor anyone authorized to act on its behalf has directly or indirectly offered or will offer the Bonds or any part thereof or any similar securities for issue or sale to, or solicited or will solicit any offer to acquire any of the same from, or has otherwise approached or negotiated or will approach or negotiate in respect thereof with anyone other than the Purchasers and not more than seventeen (17) other institutional investors. Neither the Company nor anyone authorized to act on its behalf has taken or will take any action which will subject the issuance and sale of the Bonds to the provisions of Section 5 of the Securities Act of 1933, as amended (the “*Securities Act*”).

Section 5.16. Investment Company Act Status. The Company is not an “investment company” or a company “controlled” by an “investment company”, as such terms are defined in the Investment Company Act of 1940, as amended.

Section 5.17. Federal Reserve Regulations. The proceeds of the sale of the Bonds will be applied as provided in **Section 6**. None of such proceeds will be used, directly or indirectly, for the purpose of purchasing or carrying any “margin stock” within the meaning of Regulation U (12 CFR Part 221) of the Board of Governors of the Federal Reserve System (herein called a “margin stock”) or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry a margin security or for any other purpose which might constitute the transactions contemplated hereby a “purpose credit” within the meaning of said Regulation U, or cause this Agreement to violate Regulation U, Regulation X, or any other regulation of the Board of Governors of the Federal Reserve System or Section 7 of the Securities Exchange Act of 1934 (the “*Exchange Act*”), each now in effect.

Section 5.18. Foreign Credit Restraints. Neither the consummation of the transactions contemplated by this Agreement nor the use of the proceeds of the sale of the Bonds will violate any provision of any applicable statute, regulation or order of, or any restriction imposed by, the United States of America or any authorized official, board, department, instrumentality or agency thereof relating to the control of foreign or overseas lending or investment.

Section 5.19. Disclosure. Neither this Agreement, the financial statements referred to in **Section 5.6**, the Exchange Act Reports or the Company Reports, nor any other document, certificate or written statement furnished to each Purchaser by or on behalf of the Company in connection with the negotiation of the sale of the Bonds, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact known to the Company which materially adversely affects or in the future may (so far as the Company can now reasonably foresee) materially adversely affect the business, operations, affairs or condition of the Company or its

Properties or assets, which has not been set forth in this Agreement or in the other documents, certificates, the Exchange Act Reports or the Company Reports and written statements furnished to each Purchaser by or on behalf of the Company prior to the date of this Agreement in connection with the transactions contemplated hereby.

Section 5.20. Sale Is Legal and Authorized. The sale of the Bonds and compliance by the Company with all of the provisions of this Agreement and the Bonds —

(a) are within the corporate powers of the Company; and

(b) have been duly authorized by proper corporate action on the part of the Company (no action by the stockholders of the Company being required by law, by the Articles of Incorporation or By-laws of the Company or otherwise); this Agreement and, when executed and delivered in accordance with the terms hereof, the Fourteenth Supplemental Indenture and the Bonds, have been or will have been, as the case may be, duly executed and delivered on behalf of the Company by duly authorized officers thereof, and this Agreement and, when executed and delivered in accordance with the terms hereof, the Fourteenth Supplemental Indenture and the Bonds constitute or will constitute, as the case may be, the legal, valid and binding obligations, contracts and agreements of the Company enforceable in accordance with their respective terms.

Section 5.21. No Defaults. No Default or Event of Default has occurred and is continuing. The Company is not in default in the payment of principal or interest on any Indebtedness and is not in default under any instrument or instruments or agreements under and subject to which any Indebtedness has been issued and no event has occurred and is continuing under the provisions of any such instrument or agreement which with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder.

Section 5.22. Compliance with Environmental Laws. Except as disclosed in the Exchange Act Reports or the Company Reports, to the best of the Company's knowledge it is not in violation of any applicable Federal, state, or local laws, statutes, rules, regulations or ordinances relating to public health, safety or the environment, including, without limitation, relating to releases, discharges, emissions or disposals to air, water, land or ground water, to the withdrawal or use of ground water, to the use, handling or disposal of polychlorinated biphenyls (PCBs), asbestos or urea formaldehyde, to the treatment, storage, disposal or management of hazardous substances (including, without limitation, petroleum, crude oil or any fraction thereof, or other hydrocarbons), pollutants or contaminants, to exposure to toxic, hazardous or other controlled, prohibited or regulated substances which violation could have a material adverse effect on the business, prospects, profits, properties or condition (financial or otherwise) of the Company. Except as disclosed in the Exchange Act Reports or the Company Reports, the Company does not know of any liability or class of liability of the Company under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Section 9601 *et seq.*), or the Resource Conservation and Recovery Act of 1976, as amended (42 U.S.C. Section 6901 *et seq.*).

Section 5.23. Foreign Assets Control Regulations, Etc. (a) Neither the sale of the Bonds by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(b) Neither the Company nor any subsidiary (A) is a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order or (B) engages in any dealings or transactions with any such Person. The Company and its subsidiaries are in compliance, in all material respects, with the USA Patriot Act.

(c) No part of the proceeds from the sale of the Bonds hereunder will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended, assuming in all cases that such Act applies to the Company.

As used herein, the term “*Anti-Terrorism Order*” means Executive Order No. 13,224 of September 24, 2001, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism, 66 U.S. Fed. Reg. 49,079 (2001), as amended; the term “*USA Patriot Act*” means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

SECTION 6. USE OF PROCEEDS.

The net proceeds of the sale of the Bonds will be applied by the Company (i) to repay outstanding short-term indebtedness incurred for additions, extensions and betterments to the Company’s property, plant and equipment; (ii) to finance future expenditures for additions, extensions and betterments to the Company’s property, plant and equipment; and (iii) to defray the costs and expenses of the financing of the Bonds or for other lawful corporate purposes.

SECTION 7. PURCHASERS’ REPRESENTATIONS AND WAIVER.

Section 7.1. Purchasers’ Representations. (a) Each Purchaser represents that such Purchaser is purchasing the Bonds for its own account for investment and not with a view to the distribution thereof and has no present intention of selling, negotiating, or otherwise disposing of the Bonds, *provided* that the disposition of such Purchaser’s Property shall at all times be within its control. The acquisition of any of the Bonds by such Purchaser shall constitute such Purchaser’s reaffirmation of such representation, and it is understood that in making the representations contained in **Sections 5.12(e) and 5.15**, the Company is relying, to the extent applicable, on such Purchaser’s representation in this **Section 7**.

(b) Each Purchaser represents that such Purchaser (i) is an institutional accredited investor within the meaning of Rule 501 of Regulation D promulgated under the Securities Act and (ii) is not an underwriter within the meaning of Section 2(a)(11) of the Securities Act.

(c) Each Purchaser represents that such Purchaser has knowledge that the Bonds have not been registered under the Securities Act or any applicable states securities laws and, therefore, cannot be sold unless subsequently registered under the Securities Act or any applicable state securities law or if an exemption from such registration is available.

(d) Each Purchaser represents that at least one of the following statements is an accurate representation as to each source of funds (a "*Source*") to be used by such Purchaser to pay the purchase price of the Series P Bonds to be purchased by such Purchaser hereunder:

(i) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("*PTE*") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the NAIC (the "*NAIC Annual Statement*")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(ii) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(iii) the Source is either (A) an insurance company pooled separate account, within the meaning of PTE 90-1 or (B) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this paragraph (d)(iii), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(iv) the Source constitutes assets of an "investment fund" (within the meaning of Part V of PTE 84-14 (the "*QPAM Exemption*")) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM

Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, as of the last day of its most recent calendar quarter the QPAM does not own a 10% or more interest in the Company and no Person controlling or controlled by the QPAM (applying the definition of “control” in Section V(e) of the QPAM Exemption) owns a 20% or more interest in the Company (or less than 20% but greater than 10%, if such Person exercises control over the management or policies of the Company by reason of its ownership interest) and (A) the identity of such QPAM and (B) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this paragraph (d)(iv); or

(v) the Source constitutes assets of a “plan(s)” (within the meaning of Section IV of PTE 96-23 (the “*INHAM Exemption*”)) managed by an “in-house asset manager” or “INHAM” (within the meaning of Part IV of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of “control” in Section IV(d) of the INHAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this paragraph (d)(v); or

(vi) the Source is a governmental plan; or

(vii) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA; or

(viii) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (d)(viii).

As used in this paragraph (d), the terms “employee benefit plan,” “governmental plan,” and “separate account” shall have the respective meanings assigned to such terms in Section 3 of ERISA.

(e) Each Purchaser understands that the Bonds will bear a legend, prominently stamped or printed thereon, reading substantially as follows:

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR APPLICABLE STATE SECURITIES LAWS. THIS BOND HAS BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO DISTRIBUTION OR RESALE, AND MAY NOT BE SOLD, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE STATE SECURITIES LAWS, OR THE AVAILABILITY OF AN

EXEMPTION FROM THE REGISTRATION PROVISIONS OF THE SECURITIES ACT OF 1933 AND APPLICABLE STATE SECURITIES LAWS.

Upon the request of any holder of any Bond, the Company shall, and shall direct the Trustee to, remove the legend from such Bond or issue to such holder a new Bond therefor free of any transfer legend, if: (A)(i) such holder is not an “affiliate” (as defined in Rule 144 of the Securities Act) of the Company at the time thereof and has not been an affiliate during the preceding three months and (ii) a period of one year has elapsed since the later of the date the Bond was acquired from the Company or from an affiliate of the Company (calculated as set forth in Rule 144 of the Securities Act); or (B) the Company shall have received a written opinion of counsel to such holder (which may be internal counsel to such holder) that, in the opinion of such counsel, such legend is not, or is no longer, necessary or required.

Section 7.2. Waiver. Subject to the terms and conditions set forth herein, and in reliance upon the agreements, representations and warranties of the Company made herein, each Purchaser hereby waives compliance by the Company with the EAIC Test (and any Default or Event of Default related thereto which may occur under the Indenture) solely in connection with the Company’s issuance of the Bonds; *provided that:* (a) the Equity Contribution is made concurrently with or prior to the issuance of the Bonds; (b) the Company complies with all other conditions required under the Indenture in connection with the issuance of the Bonds; and (c) the ratio of Earnings Available for Interest Charges to Annual Interest Requirements (as defined in the Indenture), calculated after giving *pro forma* effect to the Equity Contribution and the issuance of the Bonds (and as set forth in the Earnings Available for Interest Charges Certificate delivered in connection with the issuance of the Bonds), is not less than 1.5 to 1. If any of the foregoing agreements or conditions is not complied with, the waiver under this **Section 7.2** shall automatically terminate and be null and void and of no further force or effect, without notice or demand or further act on the part of any party.

SECTION 8. COVENANTS.

The Company covenants that, from and after the date of this Agreement and until none of the Bonds shall be outstanding:

Section 8.1. Punctual Payment. The Company will duly and punctually pay the principal, premium, if any, and interest on the Bonds in accordance with the terms of this Agreement, the Indenture and the Bonds.

Section 8.2. Delivery Expenses. If any Purchaser surrenders any Bond to the Company or the Trustee pursuant to this Agreement or the Indenture, the Company will pay the cost of transmitting between such Purchaser’s home office and the Company or the Trustee, insured to such Purchaser’s satisfaction, the surrendered Bond or Bonds and any Bond or Bonds issued in full or partial substitution or replacement for the surrendered Bond or Bonds.

Section 8.3. Issue Taxes. The Company will pay all taxes in connection with the issuance and sale of the Bonds to you and in connection with any modification of the Bonds (other than income and similar taxes) and will save you harmless without limitation as to time

against any and all liabilities with respect to all such taxes. The obligations of the Company under this **Section 8.3** shall survive the payment or redemption of the Bonds and the termination of this Agreement.

Section 8.4. Interest Coverage Fee. (a) If, on the Fee Test Date (hereinafter defined), the ratio of (x) Earnings Available for Interest Charges to (y) Annual Interest Requirements (the “*Interest Coverage Ratio*”) is less than 2.0 to 1.0, then from and including the Fee Commencement Date (hereinafter defined) through the Fee End Date (hereinafter defined), the Company shall pay a fee (the “*Interest Coverage Fee*”) to each holder of Bonds in an amount equal to 1.0% per annum of the principal amount of Bonds held by such holder.

As used above:

“*Fee Commencement Date*” means the date of the interim rate order issued by the State of New Hampshire Public Utilities Commission (the “*Commission*”) in the Company’s 2010 rate distribution case (the “*2010 Rate Case*”).

“*Fee Test Date*” means the date of the final rate order (the “*Final Order*”) issued by the Commission in the 2010 Rate Case, calculating the Interest Coverage Ratio after giving *pro forma* effect to the rate relief, if any, granted in such Final Order.

“*Fee End Date*” means the earlier to occur of:

(i) the later of (A) the last day of the fourth complete fiscal quarter ending after the date of the Final Order, or (B) the date on which the Company restores compliance with the Earnings Available for Interest Charges test under Section 4.04 (Additional Bonds Against Property Additions Issuance Tests) of the Indenture; or

(ii) the date the Company obtains an Investment Grade Rating of the Bonds from any of Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc. (“*S&P*”), Moody’s Investors Services, Inc. (“*Moody’s*”), Fitch/BCA Duff & Phelps Ltd. (“*Fitch*”) or DBRS, Inc. (“*DBRS*”) (or any of their respective successors).

“*Investment Grade Rating*” means a rating of the Bonds of (i) in the case of S&P, “BBB-” or better, (ii) in the case of Moody’s, “Baa3” or better, (iii) in the case of Fitch, “BBB-” or better, or (iv) in the case of DBRS, “BBB low” or better.

(b) The Interest Coverage Fee payable with respect to each Bond shall be fully earned on the date paid, shall accrue and be computed on the basis of a thirty (30) day month and a three hundred sixty (360) day year and shall be paid by wire transfer of immediately available funds on each periodic interest payment date applicable to such Bond in the same manner and, unless otherwise specified in writing by the holder of such Bond, to the same account as the concurrent periodic interest payment on such Bond is made to such holder. Further to the foregoing, the Company shall pay to the Trustee in immediately available funds, the Interest Coverage Fee for

each holder of Bonds required hereby, and the Company hereby directs the Trustee to promptly, upon receipt thereof, pay each such Interest Coverage Fee to the respective holder in accordance with the preceding sentence. Failure to pay the Interest Coverage Fee required hereby shall constitute a Default under Section 14.01(c) of the Indenture.

(c) The Trustee may assume that no Interest Coverage Fee is due on any interest payment date unless it has received at least ten (10) business days' notice from the Company that such Interest Coverage Fee is due and the amount thereof.

SECTION 9. INFORMATION AS TO THE COMPANY.

Section 9.1. Accounting; Financial Statements and Other Information. The Company will deliver (in duplicate), or, with respect to any company public reporting entity, timely file the Company's report on Form 10-K, Form 10-Q and Form 8-K with the SEC, and make such Forms available on "EDGAR" and on its home page on the worldwide web (at the date of this Agreement located at: <http://www.unitil.com>) and shall have given each Purchaser prior notice of such availability on EDGAR and on its home page in connection with each delivery, to each Purchaser, so long as it is the holder of any Bonds, and to each Institutional Holder of at least 5% in principal amount of the Bonds at the time outstanding:

(a) as soon as available but in any event within ninety (90) days after the end of each of the first three quarterly fiscal periods in each year of the Company, a balance sheet of the Company at the end of such period, and a statement of earnings and retained earnings of the Company for such period and for the portion of the fiscal year ending with such period, together with a statement of cash flows for the portion of the fiscal year ending with such period, in each case setting forth in comparative form figures for the corresponding period of the previous year, all in reasonable detail and certified, subject to changes resulting from year-end and audit adjustments, by the Treasurer, an Assistant Treasurer or any Vice President of the Company;

(b) as soon as available but in any event within one hundred twenty (120) days after the end of each fiscal year of the Company, a balance sheet of the Company as at the end of such year, and a consolidated statement of earnings and retained earnings and cash flows of the Company, in each case setting forth in comparative form the figures for the previous fiscal year, all in reasonable detail and accompanied by a report thereon of Caturano & Company, P.C. or other independent public accountants of recognized national standing selected by the Company to the effect that such financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with the prior fiscal year (except for such changes, if any, as may be specified in such opinion) and fairly present, in all material respects, the financial position of the Company as of the end of such year and the results of operations for such year, and that the examination by such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards;

(c) as soon as available but in any event within ninety (90) days after the end of each of the first three quarterly fiscal periods in each year of Unitil, a consolidated

balance sheet of Unitil and its consolidated subsidiaries at the end of such period, and a consolidated statement of earnings and retained earnings of Unitil and its consolidated subsidiaries for such period and for the portion of the fiscal year ending with such period, together with a consolidated statement of cash flows for the portion of the fiscal year ending with such period, in each case setting forth in comparative form figures for the corresponding period of the previous year, all in reasonable detail and certified, subject to changes resulting from year-end and audit adjustments, by the Treasurer, an Assistant Treasurer or any Vice President of Unitil;

(d) as soon as available but in any event within one hundred twenty (120) days after the end of each fiscal year of Unitil, an audited consolidated balance sheet of Unitil and its consolidated subsidiaries as at the end of such year, and an audited consolidated statement of earnings and retained earnings and cash flows of Unitil and its consolidated subsidiaries, in each case setting forth in comparative form the figures for the previous fiscal year, all in reasonable detail and accompanied by a report thereon of Caturano & Company, P.C. or other independent public accountants of recognized national standing selected by Unitil to the effect that such financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with the prior fiscal year (except for such changes, if any, as may be specified in such opinion) and fairly present, in all material respects, the financial position of Unitil and its consolidated subsidiaries as of the end of such year and the results of operations for such year, and that the examination by such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards;

(e) concurrently with delivery of the documents provided for in **Sections 9.1(a) and (b)**, an Officer's Certificate, stating that the officer providing the certificate has reviewed the provisions of this Agreement and setting forth whether there existed as of the date of such financial statements and whether, to the best of such officer's knowledge, there exists on the date of the certificate or existed at any time during the period covered by such financial statements any Default or Event of Default and, if any such condition or event exists on the date of the certificate, specifying the nature and period of existence thereof and the action the Company is taking and proposes to take with respect thereto;

(f) promptly after the same are available, copies of all proxy statements, financial statements and reports as the Company or its parent shall send to its public stockholders, and copies of all reports which the Company or its parent may file with the SEC or any governmental authority at any time substituted therefor; and

(g) such other information relating to the affairs of the Company as any Purchaser or any such holder reasonably may request from time to time.

Section 9.2. Inspection. The Company will permit any authorized representatives designated by any Purchaser, so long as such Purchaser is the holder of any Bonds, or by each Institutional Holder which holds at least 5% in principal amount of the Bonds then outstanding,

at such Purchaser's or such Institutional Holder's expense, to visit and inspect any of the Properties of the Company, including its books of account, to make copies and take extracts therefrom and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes such accountants to discuss with such Purchaser or any such other Institutional Holder the finances and affairs of the Company in the presence of an officer of the Company), all at such reasonable times and as often as may reasonably be requested; *provided*, that (i) the Company may restrict the foregoing access to the extent that any applicable law requires the Company to restrict or prohibit access to such information or disclosure of such information that could result in the loss of a legal privilege and (ii) such Purchaser agrees and any such Institutional Holder by its acquisition of any Bonds shall be deemed to agree to keep confidential any nonpublic information received as a result of the rights granted in this **Section 9.2**, except that each such holder of the Bonds reserves the right to disclose such information (i) as may be necessary in connection with enforcing compliance with the terms and conditions of this Agreement, (ii) as may be required to governmental agencies, courts or other agencies to whose regulation such holder may be subject but only to the extent that such agencies or courts are authorized by or have apparent authority under applicable law, regulation, court order or other regulatory authority to request such information and (iii) as may be necessary to furnish to a prospective bona fide purchaser of any Bonds, any of such information which, in the reasonable opinion of the holder of such Bonds, is a material fact regarding the Company, *provided*, that disclosure of any such information may be made to no more than two such prospective purchasers in any thirty day period, each such prospective purchaser must be eligible to be an Institutional Holder should it purchase Bonds, and the amount of Bonds which would be involved in a sale to any such prospective purchaser is at least 5% of the then-outstanding Bonds.

Section 9.3. Confidential Information. For the purposes of this **Section 9.3**, "Confidential Information" means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that was marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company, such Subsidiary, Unitil or Unitil's Affiliates, *provided* that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any Person acting on such Purchaser's behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under **Section 9.1** that are otherwise publicly available.

Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, *provided* that such Purchaser may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys, trustees and Affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Bonds), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this **Section 9.3**, (iii) any other holder of any Bond, (iv) any Institutional Investor to which it sells or offers to sell such Bond or any part thereof or any

participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this **Section 9.3**), (v) any Person from which it offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this **Section 9.3**), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Bonds and this Agreement after prior written notice provided to the Company.

Any holder of a Bond (and any employee, representative or other agent of such holder) may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to the taxpayer relating to such tax treatment and tax structure. The authorization in the immediately preceding sentence is not intended to permit, and does not permit, disclosure of any information not related to the tax treatment or tax structure of the transaction, including, for example, the identities of participants or potential participants and any Confidential Information regarding the operations or finances of the Company, its Subsidiaries, Unital, and Unital's Affiliates. Each holder of a Bond, by its acceptance of a Bond, will be deemed to have agreed to be bound by and to be entitled to the benefits of this **Section 9.3** as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Bond of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this **Section 9.3**.

SECTION 10. HOME OFFICE PAYMENT.

Pursuant to the provisions of Section 1.01 of the Fourteenth Supplemental Indenture and notwithstanding anything in the Indenture or the Bonds to the contrary, the Company will pay or cause to be paid all sums becoming due on any Bond owned by you or your nominee in the manner specified in **Schedule I** hereto or as you may otherwise designate by written notice to the Company with a copy to the Trustee and all such payments shall be made without presentation or surrender of such Bond to the Trustee; *provided*, that you agree that you will not sell, transfer or otherwise dispose of any such Bond unless, prior to the delivery thereof, either (i) you shall have made a clear and accurate notation of the amount of the principal redeemed on the Bond to be transferred, or (ii) such Bond shall have been presented to the Trustee for appropriate notation thereon of the portion of the principal redeemed on the Bond or (iii) the Bond shall have been surrendered in exchange for a new Bond for the unredeemed balance of the principal amount thereof. You agree that prior to receiving any final payment of the entire remaining unpaid principal amount of any Bond pursuant to this **Section 10**, you shall be required to deliver such

Bond to the Trustee. Your rights under this **Section 10** and Section 1.01 of the Fourteenth Supplemental Indenture may be exercised by any subsequent Institutional Holder who shall enter into an agreement in writing with the Company containing the terms set forth in this **Section 10** and deliver a copy thereof to the Trustee.

SECTION 11. DEFINITIONS; ACCOUNTING PRINCIPLES.

Section 11.1. Definitions. As used in this Agreement the following terms have the following respective meanings:

Affiliate: Any director, officer or employee of the Company and any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company. The term “*control*” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person, whether through the ownership of voting securities, by contract or otherwise.

Code: The Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

Default: Any event or condition the occurrence of which would, with the lapse of time or the giving of notice, or both, constitute an Event of Default.

EAIC Test: Defined in **Section 4.6** hereof.

Equity Contribution: Defined in **Section 4.7** hereof.

ERISA: The Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA shall be construed to also refer to any successor sections.

ERISA Affiliate: Any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under Section 414 of the Code.

Event of Default: An “Event of Default” as defined in the Indenture.

Governmental Authority:

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

Indebtedness: Of any Person as of any date as of which the amount thereof is to be determined, shall mean all (i) obligations of such Person for borrowed money, (ii) obligations secured by any Lien upon Property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such obligations, and (iii) obligations created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person, notwithstanding the fact that the rights and remedies of the seller, lender or lessor under such agreement in the event of default are limited to repossession or sale of Property; *provided*, that notwithstanding anything to the contrary in the foregoing, Indebtedness of the Company shall not include (A) its obligations under contracts for the purchase by it of electric energy or capacity, including transmission charges, (B) Lease obligations of the Company and (C) pension and other obligations of the Company with respect to benefits provided to employees of the Company, regardless of whether such obligations are absolute or contingent or included, in accordance with generally accepted accounting principles, in determining total liabilities as shown on the liability side of a balance sheet of the Company.

Institutional Holder: Any insurance company, bank, savings and loan association, trust company, investment company, charitable foundation, employee benefit plan (as defined in ERISA) or other institutional investor or financial institution.

Leases: As applied to any Person shall mean any lease of any Property (whether real, personal or mixed) by that Person as lessee which would, in conformity with generally accepted accounting principles, be required to be accounted for as a capital lease or an operating lease on the balance sheet of that Person.

Lien: (i) Any interest in Property (whether real, personal or mixed and whether tangible or intangible) which secures an obligation owed to, or a claim by, a Person other than the owner of such Property, whether such interest is based on the common law, statute or contract, including, without limitation, any such interest arising from a mortgage, charge, pledge, security agreement, conditional sale or trust receipt, or arising from a lease, consignment or bailment given for security purposes, (ii) any encumbrance upon such Property which does not secure an obligation and (iii) any exception to or defect in the title to or ownership interest in such Property, including, without limitation, reservations, rights of entry, possibilities of reverter, encroachments, easements, rights of way, restrictive covenants, leases, licenses and *profits à prendre*. For purposes of this Agreement, the Company shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sales agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

Material: Material in relation to the business, operations, affairs, financial condition, assets, or properties of the Company and its subsidiaries taken as a whole.

Material Adverse Effect: A material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its subsidiaries taken as a

whole, or (b) the ability of the Company to perform its obligations under this Agreement, the Indenture and the Bonds, or (c) the validity or enforceability of this Agreement, the Indenture or the Bonds against the Company.

Multiemployer Plan: Any Plan that is a “multiemployer plan” (as such term is defined in Section 4001(a)(3) of ERISA).

NAIC: The National Association of Insurance Commissioners or any successor thereto.

NHPUC: Defined in **Section 4.4** hereof.

Officer’s Certificate: A certificate signed by any one of the Chairman of the Board of Directors, the President or any Vice President, the Treasurer, the Assistant Treasurer or the Secretary of the Company.

PBGC: The Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

Person: An individual, an association, a corporation, a partnership, a limited liability company, a limited liability partnership, a trust or estate, a government, foreign or domestic, and any agency or political subdivision thereof, or any other entity, including the Company.

Plan: An “employee benefit plan” (as defined in Section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

Property: Any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

SEC: The Securities and Exchange Commission.

SVO: The Securities Valuation Office of the NAIC or any successor to such Office.

Unitil: Defined in **Section 5.7** hereof.

Section 11.2. Accounting Principles. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with generally accepted accounting principles then in effect, to the extent applicable, except where such principles are inconsistent with the requirements of this Agreement.

SECTION 12. EXPENSES; ETC.

Whether or not the transactions contemplated hereby shall be consummated, the Company will pay all reasonable expenses in connection with such transactions and in connection with any amendments or waivers (whether or not the same become effective) under or in respect of this Agreement or the Bonds, including, without limitation: (a) the cost and expenses of reproducing this Agreement, of the reproducing and issue of the Bonds, of furnishing all opinions of counsel for the Company and all certificates on behalf of the Company, and of the enforcement of the Company's performance of and compliance with all agreements and conditions contained herein on its part to be performed or complied with; (b) the cost of delivering to the principal office of each Purchaser, insured to its satisfaction, any Bonds delivered to it upon any substitution of Bonds pursuant to the Indenture and of each Purchaser's delivering any Bonds, insured to its satisfaction, upon any such substitution; (c) the reasonable fees, expenses and disbursements of Chapman and Cutler LLP, special counsel for the Purchasers, in connection with such transactions and any such amendments or waivers; (d) the reasonable out-of-pocket expenses incurred by each Purchaser or a holder of any Bonds (in its capacity as such) in connection with such transactions and any such amendments, waivers or consents pursuant to the provisions hereof, including, without limitation, any amendments, waivers or consents resulting from any work-out, renegotiation or restructuring relating to the performance by the Company of its obligations under this Agreement, a Supplement or the Bonds, whether or not any Bonds are then outstanding; and (e) the outlays, counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution of the trusts hereby created and any expenses paid and to pay the cost and expense incurred in defending against any liability in the premises of any character whatsoever, unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee. The Company will indemnify and hold each Purchaser harmless from and against all claims in respect of the fees, if any, of brokers and finders payable in connection with the execution and delivery of this Agreement or the carrying out of the transactions contemplated hereby. The Company will also pay, and will save each Purchaser and each holder of any Bonds harmless from, any and all liabilities with respect to any taxes (including interest and penalties) which may be payable in respect of the execution and delivery of this Agreement, the issue of the Bonds and any amendment or waiver under or in respect of this Agreement or the Bonds.

SECTION 13. SURVIVAL OF AGREEMENTS; ETC.

All agreements contained herein and all representations and warranties made in writing by or on behalf of the Company herein or pursuant hereto shall survive the execution and delivery of this Agreement, any investigation at any time made by any Purchaser or on such Purchaser's behalf, the purchase of the Bonds by any Purchaser hereunder, and any disposition or payment of the Bonds. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant hereto or in connection with the transactions contemplated hereby shall be deemed representations and warranties made by the Company hereunder.

SECTION 14. AMENDMENTS AND WAIVERS.

Any term of this Agreement may be amended and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the holders of at least 66-2/3% in principal amount of the Bonds at the time outstanding. Any amendment or waiver effected in accordance with this **Section 14** shall be binding upon each holder of any Bond at the time outstanding, each future holder of any Bond and the Company. Bonds directly or indirectly held by the Company or any Affiliate of the Company shall not be deemed outstanding for purposes of determining whether any amendment or waiver has been effected in accordance with this **Section 14**.

SECTION 15. NOTICES; ETC.

All notices and other communications hereunder shall be in writing and shall be mailed by certified mail, return receipt requested or overnight courier, (a) if to a Purchaser, addressed to the address of such Purchaser designated as the Purchaser's address on **Schedule I** attached hereto, or at such other address as such Purchaser shall have furnished to the Company for such purpose, or (b) if to the Company, to 6 Liberty Lane West, Hampton, New Hampshire 03842-1720, Attention: Treasurer, or at such other address as the Company shall have furnished to each Purchaser and each such other holder in writing.

SECTION 16. FURTHER ASSURANCES.

The Company will execute and deliver all such instruments and take all such action as the Purchasers from time to time may reasonably request in order to further effectuate the purposes and carry out the terms of this Agreement and the Bonds.

SECTION 17. MISCELLANEOUS.

This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, whether so expressed or not, and, in particular, shall inure to the benefit of and be enforceable by any holder or holders at the time of the Bonds or any part thereof. This Agreement embodies the entire agreement and understanding between each Purchaser and the Company and supersedes all prior agreements and understandings relating to the subject matter hereof. This Agreement and the Bonds shall be construed and enforced in accordance with and governed by the laws of the State of New York. The headings in this Agreement are for purposes of reference only and shall not limit or otherwise affect the meaning hereof. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

SECTION 18. SEVERABILITY.

Should any part of this Agreement for any reason be declared invalid or unenforceable, such decision shall not affect the validity or enforceability of any remaining portion, which

remaining portion shall remain in force and effect as if this Agreement had been executed with the invalid or unenforceable portion thereof eliminated and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any such part, parts or portion which may, for any reason, be hereafter declared invalid or unenforceable.

If you are in agreement with the foregoing, please sign the accompanying counterparts of this Agreement and return one of the same to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

UNITIL ENERGY SYSTEMS, INC.

By _____
Name _____
Title: _____

The foregoing Agreement is hereby agreed to as of March 2, 2010.

[VARIATION]

By: _____
Name: _____
Title: _____

ACKNOWLEDGEMENT AND AGREEMENT

The undersigned hereby acknowledges receipt of an executed copy of the foregoing Bond Purchase Agreement and agrees to the provisions of Section 10 thereof.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By _____
Its _____

INFORMATION RELATING TO PURCHASERS

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF BOND(S) TO BE PURCHASED
THRIVENT FINANCIAL FOR LUTHERANS	
c/o Thrivent Financial for Lutherans	U.S. \$5,000,000
625 Fourth Avenue South	U.S. \$5,000,000
Minneapolis, Minnesota 55415	
Attention: Investment Division-Private Placements	
Fax Number: (612) 844-4027	

Payments

All principal and interest payments on the Notes shall be made by wire transfer of immediately available funds (identifying each payment as “Unitil Energy Systems, Inc., 5.24% First Mortgage Bonds, Series P, due March 2, 2020, PPN 913260 B@3, principal, premium or interest”) to:

ABA # 011000028
State Street Bank & Trust Co.
DDA # A/C — 6813-049-1
Fund Number: NCE1
Fund Name: Thrivent Financial for Lutherans
All payments must include the following information: Security Description, Private Placement Number 913260 B@3, Reference Purpose of Payment and Interest and/or Principal Breakdown

Notices

All notices and communications to be addressed as first provided above, except notices with respect to payments and written confirmation of each such payment, to be addressed:

Thrivent Financial for Lutherans
625 Fourth Avenue South
Minneapolis, Minnesota 55415
Attention: Investment Division-
Private Placements
Attn: Alan D. Onstad
Fax: (612) 844-4027

With a copy to:
Thrivent Accounts
State Street Kansas City
801 Pennsylvania
Kansas City, Missouri 64105
Attention: Brian Kershner
Fax: (816) 871-5509

SCHEDULE I (to Bond Purchase Agreement)

Private Placement Notes sent to:

DTC/New York Window
55 Water Street
Plaza Level – 3rd Floor
New York, NY 10041
Attention: Robert Mendez
Account: State Street
Fund Name: Thrivent Financial for Lutherans
Fund Number: NCE1

Name of Nominee in which Notes are to be issued: Swanbird & Co.

Taxpayer I.D. Number for Swanbird & Co.: 04-3475606

Taxpayer I.D. Number for Thrivent Financial for Lutherans: 39-0123480

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF BOND(S) TO BE PURCHASED
UNITED OF OMAHA LIFE INSURANCE COMPANY Mutual of Omaha Plaza Omaha, Nebraska 68175-1011 Attention: 4 - Investment Accounting	U.S. \$5,000,000

Payments

All payments on or in respect of the Bonds to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as “Unitil Energy Systems, Inc., 5.24% First Mortgage Bonds, Series P, due March 2, 2020, PPN 913260 B@3, principal, premium or interest”) to:

JPMorgan Chase Bank
ABA #021000021
Private Income Processing

for credit to: United of Omaha Life Insurance Company
Account # 900-9000200
a/c: G07097
PPN: 913260 B@3
Interest Amount: 5.24%
Principal Amount: \$5,000,000

Notices

Address for all notices in respect of payment of principal and interest, corporate actions and reorganization notifications:

JPMorgan Chase Bank
14201 Dallas Parkway, 13th Floor
Dallas, Texas 75254-2917
Attention: Income Processing - G. Ruiz
a/c: G07097

Address for all other communications (*i.e.*, quarterly/annual reports, tax filings, modifications, waivers regarding the indenture) to be addressed as first provided above.

Name of Nominee in which Bonds are to be issued: None

Taxpayer I.D. Number: 47-0322111

**FORM OF
FOURTEENTH SUPPLEMENTAL INDENTURE**

EXHIBIT A
(to Bond Purchase Agreement)

FORM OF OPINION OF SPECIAL COUNSEL TO THE PURCHASERS

Exhibit B
(to Bond Purchase Agreement)

000377

**FORM OF OPINION OF
COUNSEL TO THE COMPANY**

**FORM OF OPINION OF GARY EPLER,
CHIEF REGULATORY COUNSEL FOR UNTIL SERVICE CORP.**

UNITIL ENERGY SYSTEMS, INC.

C E R T I F I C A T E

VOTED:

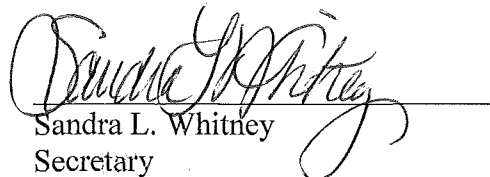
That the proposed issuance and sale to an institutional investor(s) by private placement of up to Thirty Million Dollars (\$30,000,000) aggregate principal amount of First Mortgage Bonds of Unitil Energy Systems, Inc. (the "Company") be and hereby are approved in principle, such Bonds to be sold at such price and to have such terms and provisions as may be determined by the Board of Directors; and further

That the President, any Vice President, and the Treasurer of this Company be and they are, and each of them singly is hereby authorized in the name of and on behalf of the Company, to execute and file with the New Hampshire Public Utilities Commission, and any other regulatory authority having jurisdiction petitions for the approval and authorization of up to Thirty Million Dollars (\$30,000,000) of First Mortgage Bonds; and that the President, any Vice President, and the Treasurer of this Company be and they are, and each of them singly is, hereby authorized in the name and on behalf of this Company to execute and file with said regulatory authorities any amendments to said petitions as may be necessary or desirable in connection with the foregoing; and further

That the officers of this Company be and they are, and each of them singly is, hereby authorized and directed in the name of and on behalf of the Company to execute such documents, including the engagement of a financial advisor; and do all such acts and things and to take all such other steps as may be necessary or advisable or convenient and proper to carry out the intent of the foregoing votes.

I, Sandra L. Whitney, hereby certify that I am Secretary of Unitil Energy Systems, Inc.; that the foregoing is a true copy from the record of votes unanimously adopted at a meeting of the Directors of said Company, duly called and held April 25, 2018, at which meeting a quorum was present and acting throughout; and that the said votes have not since been altered, amended or rescinded.

WITNESS my hand and the corporate seal of Unitil Energy Systems, Inc. this 30th day of May, 2018.


Sandra L. Whitney
Secretary