

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended June 30, 2022
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____

<u>Commission File Number</u>	<u>Registrant; State of Incorporation; Address and Telephone Number</u>	<u>IRS Employer Identification No.</u>
1-11459	PPL Corporation (Exact name of Registrant as specified in its charter) Pennsylvania Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-905	PPL Electric Utilities Corporation (Exact name of Registrant as specified in its charter) Pennsylvania Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
1-2893	Louisville Gas and Electric Company (Exact name of Registrant as specified in its charter) Kentucky 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	Kentucky Utilities Company (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

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Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol:</u>	<u>Name of each exchange on which registered</u>
Common Stock of PPL Corporation	PPL	New York Stock Exchange
Junior Subordinated Notes of PPL Capital Funding, Inc. 2007 Series A due 2067	PPL/67	New York Stock Exchange

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

PPL Corporation	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
PPL Electric Utilities Corporation	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Louisville Gas and Electric Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Kentucky Utilities Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit such files).

PPL Corporation	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
PPL Electric Utilities Corporation	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Louisville Gas and Electric Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Kentucky Utilities Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, smaller reporting companies or emerging growth companies. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
PPL Corporation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PPL Electric Utilities Corporation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Louisville Gas and Electric Company	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kentucky Utilities Company	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If emerging growth companies, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

PPL Corporation	<input type="checkbox"/>
PPL Electric Utilities Corporation	<input type="checkbox"/>
Louisville Gas and Electric Company	<input type="checkbox"/>
Kentucky Utilities Company	<input type="checkbox"/>

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

PPL Corporation	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
PPL Electric Utilities Corporation	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Louisville Gas and Electric Company	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Kentucky Utilities Company	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

PPL Corporation Common stock, \$0.01 par value, 736,184,769 shares outstanding at July 29, 2022.

PPL Electric Utilities Corporation Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Energy Holdings LLC, a wholly-owned, indirect subsidiary of PPL Corporation, at July 29, 2022.

Louisville Gas and Electric Company Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC, a wholly-owned, indirect subsidiary of PPL Corporation, at July 29, 2022.

Kentucky Utilities Company Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC, a wholly-owned, indirect subsidiary of PPL Corporation, at July 29, 2022.

This document is available free of charge at the Investors section of PPL Corporation's website at www.pplweb.com. However, other information on this website does not constitute a part of this Form 10-Q.

PPL CORPORATION
PPL ELECTRIC UTILITIES CORPORATION
LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2022

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This combined Form 10-Q is separately filed by the following Registrants in their individual capacity: PPL Corporation, PPL Electric Utilities Corporation, Louisville Gas and Electric Company and Kentucky Utilities Company. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant, except that information under "Forward-Looking Information" relating to subsidiaries of PPL Corporation is also attributed to PPL Corporation.

Unless otherwise specified, references in this Report, individually, to PPL Corporation, PPL Electric Utilities Corporation, Louisville Gas and Electric Company and Kentucky Utilities Company are references to such entities directly or to one or more of their subsidiaries, as the case may be, the financial results of which subsidiaries are consolidated into such Registrants' financial statements in accordance with GAAP. This presentation has been applied where identification of particular subsidiaries is not material to the matter being disclosed, and to conform narrative disclosures to the presentation of financial information on a consolidated basis.

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GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

KU - Kentucky Utilities Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity, primarily in Kentucky.

LG&E - Louisville Gas and Electric Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas in Kentucky.

LKE - LG&E and KU Energy LLC, a subsidiary of PPL and the parent of LG&E, KU and other subsidiaries.

LKS - LG&E and KU Services Company, a subsidiary of LKE that provides administrative, management, and support services primarily to LG&E and KU, as well as to LKE and its other subsidiaries.

Narragansett Electric - The Narragansett Electric Company, an entity that serves electric and natural gas customers in Rhode Island. On May 25, 2022, PPL and its subsidiary, PPL Rhode Island Holdings announced the completion of the acquisition of Narragansett Electric, which will continue to provide services under the name Rhode Island Energy.

PPL - PPL Corporation, the parent holding company of PPL Electric, PPL Energy Funding, PPL Capital Funding, LKE, Rhode Island Energy and other subsidiaries.

PPL Capital Funding - PPL Capital Funding, Inc., a financing subsidiary of PPL that provides financing for the operations of PPL and certain subsidiaries. Debt issued by PPL Capital Funding is fully and unconditionally guaranteed as to payment by PPL.

PPL Electric - PPL Electric Utilities Corporation, a public utility subsidiary of PPL engaged in the regulated transmission and distribution of electricity in its Pennsylvania service area and that provides electricity supply to its retail customers in this area as a PLR.

PPL Energy Funding - PPL Energy Funding Corporation, a subsidiary of PPL and the parent holding company of PPL Global and other subsidiaries.

PPL Energy Holdings - PPL Energy Holdings, LLC, a subsidiary of PPL and the parent holding company of PPL Energy Funding, LKE, PPL Electric, PPL Rhode Island Holdings, PPL Services and other subsidiaries.

PPL Global - PPL Global, LLC, a subsidiary of PPL Energy Funding that, prior to the sale of the U.K. utility business on June 14, 2021, primarily through its subsidiaries, owned and operated WPD, PPL's regulated electricity distribution businesses in the U.K. PPL Global was not included in the sale of the U.K. utility business on June 14, 2021.

PPL Rhode Island Holdings - PPL Rhode Island Holdings, LLC, a subsidiary of PPL formed for the purpose of acquiring Narragansett Electric to which certain interests of PPL Energy Holdings in the Narragansett SPA were assigned.

PPL Services - PPL Services Corporation, a subsidiary of PPL that provides administrative, management and support services to PPL and its subsidiaries.

PPL WPD Limited - PPL WPD Limited, a U.K. subsidiary of PPL Global. Prior to the sale of the U.K. utility business on June 14, 2021, PPL WPD Limited was an indirect parent to WPD. PPL WPD Limited was not included in the sale of the U.K. utility business on June 14, 2021.

RIE - Rhode Island Energy – the name under which Narragansett Electric will continue to provide services subsequent to its acquisition by PPL and its subsidiary, PPL Rhode Island Holdings, LLC on May 25, 2022.

Safari Energy - Safari Energy, LLC, a subsidiary of PPL that provides solar energy solutions for commercial customers in the U.S.

Other terms and abbreviations

£ - British pound sterling.

2021 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2021.

Act 11 - Act 11 of 2012 that became effective in April 2012. The Pennsylvania legislation authorized the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, a DSIC.

Act 129 - Act 129 of 2008 that became effective in October 2008. The law amended the Pennsylvania Public Utility Code and created an energy efficiency and conservation program and smart metering technology requirements, adopted new PLR electricity supply procurement rules, provided remedies for market misconduct and changed the Alternative Energy Portfolio Standard (AEPS).

Act 129 Smart Meter program - PPL Electric's system wide meter replacement program that installs wireless digital meters that provide secure communication between PPL Electric and the meter as well as all related infrastructure.

Adjusted Gross Margins - a non-GAAP financial measure of performance used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

AFUDC - allowance for funds used during construction. The cost of equity and debt funds used to finance construction projects of regulated businesses, which is capitalized as part of construction costs.

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

CCR(s) - coal combustion residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

COVID-19 - the disease caused by the novel coronavirus identified in 2019 that caused a global pandemic.

Customer Choice Act - the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

DSIC - Distribution System Improvement Charge. Authorized under Act 11, which is an alternative ratemaking mechanism providing more-timely cost recovery of qualifying distribution system capital expenditures.

DSM - Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM programs proposed by any utility under its jurisdiction. DSM programs consist of energy efficiency programs intended to reduce peak demand and delay the investment in additional power plant construction, provide customers with tools and information regarding their energy usage and support energy efficiency.

Earnings from Ongoing Operations - a non-GAAP financial measure of earnings adjusted for the impact of special items and used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

ECR - Environmental Cost Recovery. Pursuant to Kentucky Revised Statute 278.183, Kentucky electric utilities are entitled to the current recovery of costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements that apply to coal combustion wastes and byproducts from the production of energy from coal.

ELG(s) - Effluent Limitation Guidelines, regulations promulgated by the EPA.

EPA - Environmental Protection Agency, a U.S. government agency.

EPS - earnings per share.

FERC - Federal Energy Regulatory Commission, the U.S. federal agency that regulates, among other things, interstate transmission and wholesale sales of electricity, hydroelectric power projects and related matters.

GAAP - Generally Accepted Accounting Principles in the U.S.

GHG(s) - greenhouse gas(es).

GLT - gas line tracker. The KPSC approved mechanism for LG&E's recovery of costs associated with gas transmission lines, gas service lines, gas risers, leak mitigation, and gas main replacements.

IRS - Internal Revenue Service, a U.S. government agency.

ISO - Independent System Operator.

KPSC - Kentucky Public Service Commission, the state agency that has jurisdiction over the regulation of rates and service of utilities in Kentucky.

LIBOR - London Interbank Offered Rate.

Moody's - Moody's Investors Service, Inc., a credit rating agency.

MW - megawatt, one thousand kilowatts.

NAAQS - National Ambient Air Quality Standards periodically adopted pursuant to the Clean Air Act.

NEP - New England Power Company, a National Grid U.S. affiliate.

NERC - North American Electric Reliability Corporation.

NPNS - the normal purchases and normal sales exception as permitted by derivative accounting rules. Derivatives that qualify for this exception may receive accrual accounting treatment.

OCI - other comprehensive income or loss.

OVEC - Ohio Valley Electric Corporation, located in Piquette, Ohio, an entity in which LG&E owns a 5.63% interest and KU owns a 2.50% interest, which are recorded at cost. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined capacities of 2,120 MW.

PAPUC - Pennsylvania Public Utility Commission, the state agency that regulates certain ratemaking, services, accounting and operations of Pennsylvania utilities.

PLR - Provider of Last Resort, the role of PPL Electric in providing default electricity supply within its delivery area to retail customers who have not chosen to select an alternative electricity supplier under the Customer Choice Act.

PP&E - property, plant and equipment.

PPL EnergyPlus - prior to the June 1, 2015 spinoff, PPL Energy Supply, LLC, PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that marketed and traded wholesale and retail electricity and gas and supplied energy and energy services in competitive markets.

PPL Energy Supply - prior to the June 1, 2015 spinoff, PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the indirect parent company of PPL Montana, LLC.

PPL EU Services - PPL EU Services Corporation, a former subsidiary of PPL that, prior to it being merged into PPL Services on December 31, 2021, provided administrative, management and support services primarily to PPL Electric.

PPL Montana - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL Montana, LLC, an indirect subsidiary of PPL Energy Supply that generated electricity for wholesale sales in Montana and the Pacific Northwest.

PPL WPD Investments Limited – PPL WPD Investments Limited, which was, prior to the sale of the U.K. utility business on June 14, 2021, a subsidiary of PPL WPD Limited and parent to WPD plc. PPL WPD Investments Limited was included in the sale of the U.K. utility business on June 14, 2021.

Registrant(s) - refers to the Registrants named on the cover of this Report (each a "Registrant" and collectively, the "Registrants").

Regulation S-X - SEC regulation governing the form and content of and requirements for financial statements required to be filed pursuant to the federal securities laws.

RIPUC - Rhode Island Public Utilities Commission, the state agency comprising two distinct bodies: a three member quasi-judicial tribunal, known as the "Commission" and the Division of Public Utilities and Carriers. The Commission and the Division of Public Utilities and Carriers work in concert to regulate public utilities in the state of Rhode Island.

Riverstone - Riverstone Holdings LLC, a Delaware limited liability company and, as of December 6, 2016, ultimate parent company of the entities that own the competitive power generation business contributed to Talen Energy.

Rhode Island Division of Public Utilities and Carriers - the Rhode Island Division of Public Utilities and Carriers, which is headed by an Administrator who is not a Commissioner of the RIPUC, exercises the jurisdiction, supervision, power, and duties not specifically assigned to the Commission.

Sarbanes-Oxley - Sarbanes-Oxley Act of 2002, which sets requirements for management's assessment of internal controls for financial reporting. It also requires an independent auditor to make its own assessment.

Scrubber - an air pollution control device that can remove particulates and/or gases (primarily sulfur dioxide) from exhaust gases.

SEC - the U.S. Securities and Exchange Commission, a U.S. government agency primarily responsible to protect investors and maintain the integrity of the securities markets.

Smart metering technology - technology that can measure, among other things, time of electricity consumption to permit offering rate incentives for usage during lower cost or demand intervals. The use of this technology also has the potential to strengthen network reliability.

S&P - S&P Global Ratings, a credit rating agency.

Superfund - federal environmental statute that addresses remediation of contaminated sites; states also have similar statutes.

Talen Energy - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone, which as of December 6, 2016, became wholly owned by Riverstone.

Talen Energy Marketing - Talen Energy Marketing, LLC, the successor name of PPL EnergyPlus after the spinoff of PPL Energy Supply that marketed and traded wholesale and retail electricity and gas, and supplied energy and energy services in competitive markets, after the June 1, 2015 spinoff of PPL Energy Supply.

TCJA - Tax Cuts and Jobs Act. Comprehensive U.S. federal tax legislation enacted on December 22, 2017.

Treasury Stock Method - a method applied to calculate diluted EPS that assumes any proceeds that could be obtained upon exercise of options and warrants (and their equivalents) would be used to purchase common stock at the average market price during the relevant period.

U.K. utility business – PPL WPD Investments Limited and its subsidiaries, including, notably, WPD plc and the four distribution network operators, which substantially represented PPL's U.K. Regulated segment. The U.K. utility business was sold on June 14, 2021.

VEBA - Voluntary Employee Beneficiary Association, a tax-exempt trust under the Internal Revenue Code Section 501(c)(9) used by employers to fund and pay eligible medical, life and similar benefits.

VSCC - Virginia State Corporation Commission, the state agency that has jurisdiction over the regulation of Virginia corporations, including utilities.

WPD - Prior to the sale of the U.K. utility business on June 14, 2021, refers to PPL WPD Limited Investments and its subsidiaries. WPD was included in the sale of the U.K. utility business on June 14, 2021.

WPD plc - Western Power Distribution plc, prior to the sale of the U.K. utility business, a U.K. indirect subsidiary of PPL WPD Limited. Its principal indirectly owned subsidiaries are WPD (East Midlands), WPD (South Wales), WPD (South West) and WPD (West Midlands). WPD plc was included in the sale of the U.K. utility business on June 14, 2021.

Forward-looking Information

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2021 Form 10-K and in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, the following are among the important factors that could cause actual results to differ materially and adversely from the forward-looking statements:

- strategic acquisitions, dispositions, or similar transactions, including the acquisition of Narragansett Electric, and our ability to consummate these business transactions or realize expected benefits from them;
- the COVID-19 pandemic and its impact on economic conditions, financial markets and supply chains;
- other pandemic health events or other catastrophic events such as fires, earthquakes, explosions, floods, droughts, tornadoes, hurricanes and other extreme weather-related events (including events potentially caused or exacerbated by climate change);
- capital market conditions, including the availability of capital, credit or insurance, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- volatility in or the impact of other changes in financial markets, commodity prices and economic conditions, including inflation;
- the outcome of rate cases or other cost recovery or revenue proceedings;
- the direct or indirect effects on PPL or its subsidiaries or business systems of cyber-based intrusion or the threat of cyberattacks;
- significant decreases in demand for electricity;
- expansion of alternative and distributed sources of electricity generation and storage;
- the effectiveness of our risk management programs, including interest rate hedging;
- defaults by counterparties or suppliers for energy, capacity, coal, natural gas or key commodities, goods or services;
- a material decline in the market value of PPL's equity;
- significant decreases in the fair value of debt and equity securities and their impact on the value of assets in defined benefit plans, and the related cash funding requirements if the fair value of those assets decline;
- interest rates and their effect on pension and retiree medical liabilities, ARO liabilities, interest payable on certain debt securities, and the general economy;
- the potential impact of any unrecorded commitments and liabilities of the Registrants and their subsidiaries;
- new accounting requirements or new interpretations or applications of existing requirements;
- adverse changes in the corporate credit ratings or securities analyst rankings of the Registrants and their securities;
- any requirement to record impairment charges pursuant to GAAP with respect to any of our significant investments;
- laws or regulations to reduce emissions of GHGs or the physical effects of climate change;
- continuing ability to access fuel supply for LG&E and KU, as well as the ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU and natural gas supply costs at LG&E and RIE;
- weather and other conditions affecting generation, transmission and distribution operations, operating costs and customer energy use;
- war, armed conflicts, terrorist attacks, or similar disruptive events, including the war in Ukraine;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits and approvals;
- changes in state or federal tax law or regulations;
- changes in state, federal or foreign legislation or regulatory developments;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- our ability to attract and retain qualified employees;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures;
- collective labor bargaining negotiations; and
- the outcome of litigation involving the Registrants and their subsidiaries.

Any forward-looking statements should be considered in light of these important factors and in conjunction with other documents of the Registrants on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for the Registrants to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and the Registrants undertake no obligation to update the information contained in the statement to reflect subsequent developments or information.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating Revenues	\$ 1,696	\$ 1,288	\$ 3,478	\$ 2,786
Operating Expenses				
Operation				
Fuel	229	159	441	336
Energy purchases	305	137	657	357
Other operation and maintenance	560	404	993	771
Depreciation	289	269	560	536
Taxes, other than income	70	49	130	101
Total Operating Expenses	1,453	1,018	2,781	2,101
Operating Income	243	270	697	685
Other Income (Expense) - net (Note 12)	26	13	26	13
Interest Expense	118	474	225	627
Income (Loss) from Continuing Operations Before Income Taxes	151	(191)	498	71
Income Taxes	32	345	106	404
Income (Loss) from Continuing Operations After Income Taxes	119	(536)	392	(333)
Income (Loss) from Discontinued Operations (net of income taxes) (Note 8)	—	555	—	(1,488)
Net Income (Loss)	\$ 119	\$ 19	\$ 392	\$ (1,821)
Earnings Per Share of Common Stock:				
Basic and Diluted				
Income (Loss) from Continuing Operations After Income Taxes	\$ 0.16	\$ (0.69)	\$ 0.53	\$ (0.44)
Income (Loss) from Discontinued Operations (net of income taxes)	—	0.72	—	(1.93)
Net Income (Loss) Available to PPL Common Shareowners	\$ 0.16	\$ 0.03	\$ 0.53	\$ (2.37)
Weighted-Average Shares of Common Stock Outstanding (in thousands)				
Basic	735,977	769,466	735,741	769,313
Diluted	736,769	769,466	736,478	769,313

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 119	\$ 19	\$ 392	\$ (1,821)
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of \$0, (\$43), \$0, (\$123)	—	69	—	372
Qualifying derivatives, net of tax of \$0, (\$5), \$0, \$11	—	(9)	—	(39)
Equity investees' other comprehensive income (loss), net of tax of \$0, \$0, \$0, \$0	1	—	2	—
Defined benefit plans:				
Prior service costs, net of tax of \$0, \$0, \$0, \$0	—	—	(1)	—
Net actuarial gain (loss), net of tax of (\$7), \$2, (\$7), \$2	21	(6)	21	(6)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Qualifying derivatives, net of tax of (\$1), \$10, (\$1), (\$4)	—	(1)	1	24
Defined benefit plans:				
Prior service costs, net of tax of \$0, \$2, \$0, \$2	—	(7)	1	(7)
Net actuarial (gain) loss, net of tax of (\$2), (\$4), (\$3), (\$26)	6	67	9	107
Reclassifications from AOCI due to sale of the U.K. utility business - (gains) losses, net of tax expense (benefit):				
Foreign currency translation adjustments, net of tax of \$0, \$140, \$0, \$140	—	786	—	786
Qualifying derivatives, net of tax of \$0, \$0, \$0, \$0	—	15	—	15
Defined benefit plans:				
Prior service costs, net of tax of \$0, (\$2), \$0, (\$2)	—	8	—	8
Net actuarial (gain) loss, net of tax of \$0, (\$798), \$0, (\$798)	—	2,769	—	2,769
Total other comprehensive income (loss)	28	3,691	33	4,029
Comprehensive income (loss)	\$ 147	\$ 3,710	\$ 425	\$ 2,208

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Six Months Ended June 30,	
	2022	2021
Cash Flows from Operating Activities		
Net income (loss)	\$ 392	\$ (1,821)
Loss from discontinued operations (net of income taxes)	—	1,488
Income (Loss) from continuing operations (net of income taxes)	392	(333)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	560	536
Amortization	15	40
Deferred income taxes and investment tax credits	56	29
Stock-based compensation expense	18	17
Impairment of solar panels	—	37
Loss on extinguishment of debt	—	322
Other	19	(26)
Change in current assets and current liabilities		
Accounts receivable	(47)	(10)
Accounts payable	166	(26)
Unbilled revenues	22	53
Fuel, materials and supplies	23	43
Prepayments	(69)	(62)
Counterparty collateral	62	—
Taxes payable	(41)	192
Regulatory assets and liabilities, net	(211)	39
Other	36	26
Other operating activities		
Defined benefit plans - funding	(7)	(36)
Other assets	(74)	(70)
Other liabilities	59	24
Net cash provided by operating activities - continuing operations	979	795
Net cash provided by operating activities - discontinued operations	—	726
Net cash provided by operating activities	979	1,521
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(1,009)	(969)
Acquisition of Narragansett Electric, net of cash acquired	(3,674)	—
Proceeds from sale of discontinued operations, net of cash divested	—	10,560
Other investing activities	—	(8)
Net cash provided by (used in) investing activities - continuing operations	(4,683)	9,583
Net cash provided by (used in) investing activities - discontinued operations	—	(607)
Net cash provided by (used in) investing activities	(4,683)	8,976
Cash Flows from Financing Activities		
Issuance of long-term debt	—	650
Retirement of long-term debt	—	(2,379)
Payment of common stock dividends	(453)	(640)
Retirement of term loan	—	(300)
Retirement of commercial paper	—	(73)
Net increase (decrease) in short-term debt	919	(795)
Other financing activities	3	(19)
Net cash provided by (used in) financing activities - continuing operations	469	(3,556)
Net cash provided by (used in) financing activities - discontinued operations	—	(411)
Contributions from discontinued operations	—	365
Net cash provided by (used in) financing activities	469	(3,602)
Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash included in Discontinued Operations	—	8
Net Decrease in Cash, Cash Equivalents and Restricted Cash included in Discontinued Operations	—	284
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(3,235)	7,187
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	3,572	443
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 337	\$ 7,630
Supplemental Disclosures of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	\$ 195	\$ 222

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2022	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 336	\$ 3,571
Accounts receivable (less reserve: 2022, \$89; 2021, \$65)		
Customer	772	583
Other	95	58
Unbilled revenues (less reserve: 2022, \$2; 2021, \$2)	344	307
Fuel, materials and supplies	332	322
Prepayments	130	60
Regulatory assets	198	64
Other current assets	94	42
Total Current Assets	2,301	5,007
Property, Plant and Equipment		
Regulated utility plant	36,017	30,477
Less: accumulated depreciation - regulated utility plant	7,981	6,488
Regulated utility plant, net	28,036	23,989
Non-regulated property, plant and equipment	317	266
Less: accumulated depreciation - non-regulated property, plant and equipment	60	41
Non-regulated property, plant and equipment, net	257	225
Construction work in progress	1,617	1,256
Property, Plant and Equipment, net	29,910	25,470
Other Noncurrent Assets		
Regulatory assets	1,681	1,236
Goodwill	2,297	716
Other intangibles	337	343
Other noncurrent assets (less reserve for accounts receivable: 2022, \$2; 2021 \$2)	536	451
Total Other Noncurrent Assets	4,851	2,746
Total Assets	\$ 37,062	\$ 33,223

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2022	December 31, 2021
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 988	\$ 69
Long-term debt due within one year	501	474
Accounts payable	985	679
Taxes	99	96
Interest	97	81
Dividends	166	305
Regulatory liabilities	241	182
Other current liabilities	649	437
Total Current Liabilities	3,726	2,323
Long-term Debt	12,153	10,666
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	3,226	3,151
Investment tax credits	126	119
Accrued pension obligations	183	183
Asset retirement obligations	153	157
Regulatory liabilities	3,056	2,422
Other deferred credits and noncurrent liabilities	566	479
Total Deferred Credits and Other Noncurrent Liabilities	7,310	6,511
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - \$0.01 par value (a)	8	8
Additional paid-in capital	12,313	12,303
Treasury stock	(976)	(1,003)
Earnings reinvested	2,649	2,572
Accumulated other comprehensive loss	(124)	(157)
Total Shareowners' Common Equity	13,870	13,723
Noncontrolling interests	3	—
Total Equity	13,873	13,723
Total Liabilities and Equity	\$ 37,062	\$ 33,223

(a) 1,560,000 shares authorized, 770,013 shares issued and 736,157 shares outstanding at June 30, 2022. 1,560,000 shares authorized, 769,890 shares issued and 735,112 shares outstanding at December 31, 2021.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Treasury stock	Earnings reinvested	Accumulated other comprehensive loss	Noncontrolling interests	Total
March 31, 2022	735,765	\$ 8	\$ 12,299	\$ (987)	\$ 2,697	\$ (152)	\$ —	13,865
Common stock issued			8					8
Treasury stock issued	392			11				11
Stock-based compensation			6					6
Net income (loss)					119			119
Dividends and dividend equivalents (b)					(167)			(167)
Preferred stock (Note 7)							3	3
Other comprehensive income						28		28
June 30, 2022	736,157	\$ 8	\$ 12,313	\$ (976)	\$ 2,649	\$ (124)	\$ 3	13,873
December 31, 2021	735,112	\$ 8	\$ 12,303	\$ (1,003)	\$ 2,572	\$ (157)	\$ —	13,723
Common stock issued	123		12					12
Treasury stock issued	922			27				27
Stock-based compensation			(2)					(2)
Net income (loss)					392			392
Dividends and dividend equivalents (b)					(315)			(315)
Preferred stock (Note 7)							3	3
Other comprehensive income						33		33
June 30, 2022	736,157	\$ 8	\$ 12,313	\$ (976)	\$ 2,649	\$ (124)	\$ 3	13,873
March 31, 2021	769,427	\$ 8	\$ 12,273	\$ —	\$ 3,155	\$ (3,882)	\$ —	11,554
Common stock issued	137		4					4
Stock-based compensation			4					4
Net income (loss)					19			19
Dividends and dividend equivalents (b)					(320)			(320)
Other comprehensive income						3,691		3,691
June 30, 2021	769,564	\$ 8	\$ 12,281	\$ —	\$ 2,854	\$ (191)	\$ —	14,952
December 31, 2020	768,907	\$ 8	\$ 12,270	\$ —	\$ 5,315	\$ (4,220)	\$ —	13,373
Common stock issued	657		20					20
Stock-based compensation			(9)					(9)
Net income (loss)					(1,821)			(1,821)
Dividends and dividend equivalents (b)					(640)			(640)
Other comprehensive income						4,029		4,029
June 30, 2021	769,564	\$ 8	\$ 12,281	\$ —	\$ 2,854	\$ (191)	\$ —	14,952

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareholders' meeting.

(b) Dividends declared per share of common stock were \$0.225 and \$0.425 for the three and six months ended June 30, 2022 and \$0.415 and \$0.830 for the three and six months ended June 30, 2021.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating Revenues	\$ 676	\$ 537	\$ 1,451	\$ 1,142
Operating Expenses				
Operation				
Energy purchases	218	110	474	259
Other operation and maintenance	128	125	288	253
Depreciation	99	109	197	217
Taxes, other than income	32	26	69	58
Total Operating Expenses	477	370	1,028	787
Operating Income	199	167	423	355
Other Income (Expense) - net (Note 12)	7	5	13	10
Interest Income from Affiliate	2	—	4	—
Interest Expense	40	42	79	85
Income Before Income Taxes	168	130	361	280
Income Taxes	44	34	94	71
Net Income (a)	\$ 124	\$ 96	\$ 267	\$ 209

(a) Net income equals comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Six Months Ended June 30,	
	2022	2021
Cash Flows from Operating Activities		
Net income	\$ 267	\$ 209
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	197	217
Amortization	5	10
Defined benefit plans - expense (income)	(11)	(5)
Deferred income taxes and investment tax credits	67	74
Other	(9)	(9)
Change in current assets and current liabilities		
Accounts receivable	(55)	(74)
Accounts payable	18	(62)
Unbilled revenues	8	35
Materials and supplies	(5)	3
Prepayments	(52)	(56)
Regulatory assets and liabilities, net	(73)	61
Taxes payable	(23)	(9)
Counterparty collateral	62	—
Other	(9)	(1)
Other operating activities		
Defined benefit plans - funding	—	(21)
Other assets	(25)	(10)
Other liabilities	(7)	(8)
Net cash provided by operating activities	<u>355</u>	<u>354</u>
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(451)	(458)
Notes receivable from affiliates	333	(1,075)
Other investing activities	1	—
Net cash (used in) investing activities	<u>(117)</u>	<u>(1,533)</u>
Cash Flows from Financing Activities		
Issuance of long-term debt	—	650
Contributions from parent	—	750
Return of capital to parent	(65)	—
Payment of common stock dividends to parent	(165)	(201)
Other financing activities	—	(2)
Net cash provided by (used in) financing activities	<u>(230)</u>	<u>1,197</u>
Net Increase in Cash, Cash Equivalents and Restricted Cash	8	18
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	<u>21</u>	<u>40</u>
Cash, Cash Equivalents and Restricted Cash at End of Period	<u>\$ 29</u>	<u>\$ 58</u>
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	\$ 114	\$ 138

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	June 30, 2022	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 29	\$ 21
Accounts receivable (less reserve: 2022, \$32; 2021, \$31)		
Customer	337	305
Other	21	22
Accounts receivable from affiliates	7	11
Notes receivable from affiliate	166	499
Unbilled revenues (less reserve: 2022, \$1; 2021, \$2)	125	129
Materials and supplies	66	61
Prepayments	65	13
Regulatory assets	11	22
Other current assets	21	21
Total Current Assets	848	1,104
Property, Plant and Equipment		
Regulated utility plant	14,407	14,082
Less: accumulated depreciation - regulated utility plant	3,440	3,386
Regulated utility plant, net	10,967	10,696
Construction work in progress	598	581
Property, Plant and Equipment, net	11,565	11,277
Other Noncurrent Assets		
Regulatory assets	470	488
Intangibles	269	270
Pension benefit asset	76	50
Other noncurrent assets (less reserve for accounts receivable: 2022, \$2; 2021, \$2)	133	113
Total Other Noncurrent Assets	948	921
Total Assets	\$ 13,361	\$ 13,302

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2022	December 31, 2021
Liabilities and Equity		
Current Liabilities		
Long-term debt due within one year	\$ 474	\$ 474
Accounts payable	419	367
Accounts payable to affiliates	32	56
Taxes	8	31
Interest	35	35
Regulatory liabilities	69	153
Counterparty collateral	62	—
Other current liabilities	95	108
Total Current Liabilities	1,194	1,224
Long-term Debt	4,012	4,010
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,748	1,668
Regulatory liabilities	549	559
Other deferred credits and noncurrent liabilities	85	105
Total Deferred Credits and Other Noncurrent Liabilities	2,382	2,332
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - no par value (a)	364	364
Additional paid-in capital	4,189	4,254
Earnings reinvested	1,220	1,118
Total Equity	5,773	5,736
Total Liabilities and Equity	\$ 13,361	\$ 13,302

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at June 30, 2022 and December 31, 2021.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
March 31, 2022	66,368	\$ 364	\$ 4,214	\$ 1,189	\$ 5,767
Net income				124	124
Return of capital to parent			(25)		(25)
Dividends declared				(93)	(93)
June 30, 2022	66,368	\$ 364	\$ 4,189	\$ 1,220	\$ 5,773
December 31, 2021	66,368	\$ 364	\$ 4,254	\$ 1,118	\$ 5,736
Net income				267	267
Return of capital to parent			(65)		(65)
Dividends declared				(165)	(165)
June 30, 2022	66,368	\$ 364	\$ 4,189	\$ 1,220	\$ 5,773
March 31, 2021	66,368	\$ 364	\$ 3,753	\$ 1,005	\$ 5,122
Net income				96	96
Capital contributions from parent			750		750
Dividends declared				(86)	(86)
June 30, 2021	66,368	\$ 364	\$ 4,503	\$ 1,015	\$ 5,882
December 31, 2020	66,368	\$ 364	\$ 3,753	\$ 1,007	\$ 5,124
Net income				209	209
Capital contributions from parent			750		750
Dividends declared				(201)	(201)
June 30, 2021	66,368	\$ 364	\$ 4,503	\$ 1,015	\$ 5,882

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL Energy Holdings.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED STATEMENTS OF INCOME**Louisville Gas and Electric Company**

(Unaudited)

(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating Revenues				
Retail and wholesale	\$ 399	\$ 333	\$ 880	\$ 754
Electric revenue from affiliate	11	9	23	16
Total Operating Revenues	410	342	903	770
Operating Expenses				
Operation				
Fuel	90	66	171	133
Energy purchases	43	23	134	89
Energy purchases from affiliate	7	3	9	8
Other operation and maintenance	103	97	203	193
Depreciation	75	68	149	134
Taxes, other than income	12	11	24	22
Total Operating Expenses	330	268	690	579
Operating Income	80	74	213	191
Other Income (Expense) - net	4	3	3	1
Interest Expense	21	20	41	41
Income Before Income Taxes	63	57	175	151
Income Taxes	9	12	28	31
Net Income (a)	\$ 54	\$ 45	\$ 147	\$ 120

(a) Net income equals comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF CASH FLOWS
Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

	Six Months Ended June 30,	
	2022	2021
Cash Flows from Operating Activities		
Net income	\$ 147	\$ 120
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	149	134
Amortization	(3)	4
Defined benefit plans - expense	(1)	—
Deferred income taxes and investment tax credits	(9)	5
Other	2	—
Change in current assets and current liabilities		
Accounts receivable	19	10
Accounts receivable from affiliates	1	—
Accounts payable	15	8
Accounts payable to affiliates	(11)	(11)
Unbilled revenues	8	13
Fuel, materials and supplies	35	25
Regulatory assets and liabilities, net	(16)	(12)
Taxes payable	(7)	(7)
Other	1	(16)
Other operating activities		
Defined benefit plans - funding	(2)	(2)
Expenditures for asset retirement obligations	(8)	(15)
Other assets	(2)	(1)
Other liabilities	(1)	3
Net cash provided by operating activities	<u>317</u>	<u>258</u>
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(183)	(215)
Net cash used in investing activities	<u>(183)</u>	<u>(215)</u>
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable to affiliates	(324)	282
Net increase (decrease) in short-term debt	325	(221)
Retirement of commercial paper	—	(41)
Payment of common stock dividends to parent	(136)	(109)
Contributions from parent	10	44
Other financing activities	—	(1)
Net cash used in financing activities	<u>(125)</u>	<u>(46)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	9	(3)
Cash and Cash Equivalents at Beginning of Period	9	7
Cash and Cash Equivalents at End of Period	<u>\$ 18</u>	<u>\$ 4</u>
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	\$ 33	\$ 44

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	June 30, 2022	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 18	\$ 9
Accounts receivable (less reserve: 2022, \$3; 2021, \$3)		
Customer	114	130
Other	18	25
Unbilled revenues (less reserve: 2022, \$0; 2021, \$0)	72	80
Accounts receivable from affiliates	30	31
Fuel, materials and supplies	102	137
Prepayments	16	14
Regulatory assets	52	33
Other current assets	—	2
Total Current Assets	422	461
Property, Plant and Equipment		
Regulated utility plant	7,290	7,192
Less: accumulated depreciation - regulated utility plant	1,262	1,172
Regulated utility plant, net	6,028	6,020
Construction work in progress	254	242
Property, Plant and Equipment, net	6,282	6,262
Other Noncurrent Assets		
Regulatory assets	355	337
Goodwill	389	389
Other intangibles	27	30
Other noncurrent assets	88	113
Total Other Noncurrent Assets	859	869
Total Assets	\$ 7,563	\$ 7,592

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company

(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2022	December 31, 2021
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 394	\$ 69
Notes payable to affiliates	—	324
Accounts payable	147	163
Accounts payable to affiliates	20	31
Customer deposits	32	32
Taxes	27	34
Price risk management liabilities	1	1
Regulatory liabilities	3	21
Interest	15	15
Asset retirement obligations	9	10
Other current liabilities	41	37
Total Current Liabilities	689	737
Long-term Debt	2,007	2,006
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	762	751
Investment tax credits	32	32
Price risk management liabilities	9	17
Asset retirement obligations	70	74
Regulatory liabilities	820	818
Other deferred credits and noncurrent liabilities	74	78
Total Deferred Credits and Other Noncurrent Liabilities	1,767	1,770
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	424	424
Additional paid-in capital	2,007	1,997
Earnings reinvested	669	658
Total Equity	3,100	3,079
Total Liabilities and Equity	\$ 7,563	\$ 7,592

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at June 30, 2022 and December 31, 2021.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF EQUITY
Louisville Gas and Electric Company

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
March 31, 2022	21,294	\$ 424	\$ 1,997	\$ 676	\$ 3,097
Net income				54	54
Capital contributions from parent			10		10
Dividends declared				(61)	(61)
June 30, 2022	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 2,007</u>	<u>\$ 669</u>	<u>\$ 3,100</u>
December 31, 2021	21,294	\$ 424	\$ 1,997	\$ 658	\$ 3,079
Net income				147	147
Capital contributions from parent			10		10
Dividends declared				(136)	(136)
June 30, 2021	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 2,007</u>	<u>\$ 669</u>	<u>\$ 3,100</u>
March 31, 2021	21,294	\$ 424	\$ 1,923	\$ 616	\$ 2,963
Net income				45	45
Capital contributions from parent			44		44
Dividends declared				(49)	(49)
June 30, 2021	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 1,967</u>	<u>\$ 612</u>	<u>\$ 3,003</u>
December 31, 2020	21,294	\$ 424	\$ 1,923	\$ 601	\$ 2,948
Net income				120	120
Capital contributions from parent			44		44
Dividends declared				(109)	(109)
June 30, 2021	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 1,967</u>	<u>\$ 612</u>	<u>\$ 3,003</u>

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED STATEMENTS OF INCOME**Kentucky Utilities Company**

(Unaudited)

(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating Revenues				
Retail and wholesale	\$ 484	\$ 408	\$ 1,007	\$ 872
Electric revenue from affiliate	7	3	9	8
Total Operating Revenues	491	411	1,016	880
Operating Expenses				
Operation				
Fuel	139	93	270	203
Energy purchases	7	4	12	9
Energy purchases from affiliate	11	9	23	16
Other operation and maintenance	120	111	233	226
Depreciation	98	90	193	179
Taxes, other than income	11	11	22	21
Total Operating Expenses	386	318	753	654
Operating Income	105	93	263	226
Other Income (Expense) - net	4	3	4	4
Interest Expense	28	27	55	54
Income Before Income Taxes	81	69	212	176
Income Taxes	15	13	39	34
Net Income (a)	\$ 66	\$ 56	\$ 173	\$ 142

(a) Net income equals comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF CASH FLOWS
Kentucky Utilities Company

(Unaudited)

(Millions of Dollars)

	Six Months Ended June 30,	
	2022	2021
Cash Flows from Operating Activities		
Net income	\$ 173	\$ 142
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	193	179
Amortization	8	3
Defined benefit plans - expense	(2)	(2)
Deferred income taxes and investment tax credits	(5)	—
Other	2	(1)
Change in current assets and current liabilities		
Accounts receivable	1	5
Accounts receivable from affiliates	—	1
Accounts payable	18	(15)
Accounts payable to affiliates	(13)	(5)
Unbilled revenues	(4)	8
Fuel, materials and supplies	(5)	13
Regulatory assets and liabilities, net	(21)	(11)
Taxes payable	5	(7)
Other	(4)	(19)
Other operating activities		
Defined benefit plans - funding	(1)	(1)
Expenditures for asset retirement obligations	(14)	(18)
Other assets	2	—
Other liabilities	(1)	8
Net cash provided by operating activities	<u>332</u>	<u>280</u>
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(273)	(270)
Other investing activities	—	4
Net cash used in investing activities	<u>(273)</u>	<u>(266)</u>
Cash Flows from Financing Activities		
Net decrease in notes payable to affiliates	(294)	226
Net increase (decrease) in short-term debt	338	(171)
Retirement of commercial paper	—	(32)
Payment of common stock dividends to parent	(159)	(111)
Contributions from parent	60	60
Other financing activities	—	(1)
Net cash used in financing activities	<u>(55)</u>	<u>(29)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4	(15)
Cash and Cash Equivalents at Beginning of Period	13	22
Cash and Cash Equivalents at End of Period	<u>\$ 17</u>	<u>\$ 7</u>
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	\$ 46	\$ 40

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS**Kentucky Utilities Company**

(Unaudited)

(Millions of Dollars, shares in thousands)

	June 30, 2022	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 17	\$ 13
Accounts receivable (less reserve: 2022, \$2; 2021, \$3)		
Customer	142	144
Other	11	12
Unbilled revenues (less reserve: 2022, \$0; 2021, \$0)	95	91
Fuel, materials and supplies	130	124
Prepayments	16	15
Regulatory assets	33	9
Other current assets	—	2
Total Current Assets	<u>444</u>	<u>410</u>
Property, Plant and Equipment		
Regulated utility plant	9,360	9,219
Less: accumulated depreciation - regulated utility plant	2,065	1,929
Regulated utility plant, net	<u>7,295</u>	<u>7,290</u>
Construction work in progress	436	378
Property, Plant and Equipment, net	<u>7,731</u>	<u>7,668</u>
Other Noncurrent Assets		
Regulatory assets	430	411
Goodwill	607	607
Other intangibles	22	23
Other noncurrent assets	130	153
Total Other Noncurrent Assets	<u>1,189</u>	<u>1,194</u>
Total Assets	<u>\$ 9,364</u>	<u>\$ 9,272</u>

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS**Kentucky Utilities Company**

(Unaudited)

(Millions of Dollars, shares in thousands)

	June 30, 2022	December 31, 2021
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 338	\$ —
Long-term debt due within one year	13	—
Notes payable to affiliates	—	294
Accounts payable	104	108
Accounts payable to affiliates	52	64
Customer deposits	33	32
Taxes	24	19
Regulatory liabilities	5	8
Interest	18	18
Asset retirement obligations	19	22
Other current liabilities	47	47
Total Current Liabilities	653	612
Long-term Debt	2,606	2,618
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	876	865
Investment tax credits	86	87
Asset retirement obligations	73	83
Regulatory liabilities	1,037	1,045
Other deferred credits and noncurrent liabilities	31	34
Total Deferred Credits and Other Noncurrent Liabilities	2,103	2,114
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	308	308
Additional paid-in capital	3,017	2,957
Earnings reinvested	677	663
Total Equity	4,002	3,928
Total Liabilities and Equity	\$ 9,364	\$ 9,272

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at June 30, 2022 and December 31, 2021.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF EQUITY

Kentucky Utilities Company

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
March 31, 2022	37,818	\$ 308	\$ 2,957	\$ 680	\$ 3,945
Net income				66	66
Capital contributions from parent			60		60
Dividends declared				(69)	(69)
June 30, 2022	<u>37,818</u>	<u>\$ 308</u>	<u>\$ 3,017</u>	<u>\$ 677</u>	<u>\$ 4,002</u>
December 31, 2021	37,818	\$ 308	\$ 2,957	\$ 663	\$ 3,928
Net income				173	173
Capital contributions from parent			60		60
Dividends declared				(159)	(159)
June 30, 2021	<u>37,818</u>	<u>\$ 308</u>	<u>\$ 3,017</u>	<u>\$ 677</u>	<u>\$ 4,002</u>
March 31, 2021	37,818	\$ 308	\$ 2,857	\$ 647	\$ 3,812
Net income				56	56
Capital contributions from parent			60		60
Dividends declared				(55)	(55)
June 30, 2021	<u>37,818</u>	<u>\$ 308</u>	<u>\$ 2,917</u>	<u>\$ 648</u>	<u>\$ 3,873</u>
December 31, 2020	37,818	\$ 308	\$ 2,857	\$ 617	\$ 3,782
Net income				142	142
Capital contributions from parent			60		60
Dividends declared				(111)	(111)
June 30, 2021	<u>37,818</u>	<u>\$ 308</u>	<u>\$ 2,917</u>	<u>\$ 648</u>	<u>\$ 3,873</u>

(a) Shares in thousands. All common shares of KU stock are owned by LKE.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

Combined Notes to Condensed Financial Statements (Unaudited)

Index to Combined Notes to Condensed Financial Statements

The notes to the condensed financial statements that follow are a combined presentation. The following list indicates the Registrants to which the notes apply:

	Registrant			
	PPL	PPL Electric	LG&E	KU
1. Interim Financial Statements	x	x	x	x
2. Segment and Related Information	x	x	x	x
3. Revenue from Contracts with Customers	x	x	x	x
4. Earnings Per Share	x			
5. Income Taxes	x	x	x	x
6. Utility Rate Regulation	x	x	x	x
7. Financing Activities	x	x	x	x
8. Acquisitions, Development and Divestitures	x			
9. Defined Benefits	x	x	x	x
10. Commitments and Contingencies	x	x	x	x
11. Related Party Transactions		x	x	x
12. Other Income (Expense) - net	x	x		
13. Fair Value Measurements	x	x	x	x
14. Derivative Instruments and Hedging Activities	x	x	x	x
15. Asset Retirement Obligations	x		x	x
16. Accumulated Other Comprehensive Income (Loss)	x			

1. Interim Financial Statements

(All Registrants)

Capitalized terms and abbreviations appearing in the unaudited combined notes to condensed financial statements are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for any Registrant when significant.

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 2021 is derived from that Registrant's 2021 audited Balance Sheet. The financial statements and notes thereto should be read in conjunction with the financial statements and notes contained in each Registrant's 2021 Form 10-K. The results of operations for the three and six months ended June 30, 2022 are not necessarily indicative of the results to be expected for the full year ending December 31, 2022 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

(PPL)

On March 17, 2021, PPL WPD Limited entered into a share purchase agreement to sell PPL's U.K. utility business, which prior to its sale substantially represented PPL's U.K. Regulated segment, to a subsidiary of National Grid plc. The sale was completed on June 14, 2021. The results of operations of the U.K. utility business are classified as Discontinued Operations on PPL's Statements of Income for the three and six months ended June 30, 2021. PPL has elected to separately report the cash flows of

continuing and discontinued operations on the Statements of Cash Flows for the six months ended June 30, 2021. Unless otherwise noted, the notes to these financial statements exclude amounts related to discontinued operations. See Note 8 for additional information.

On May 25, 2022, PPL Rhode Island Holdings, a subsidiary of PPL, acquired 100% of the outstanding shares of common stock of Narragansett Electric from National Grid USA (National Grid U.S.), a subsidiary of National Grid plc (the Acquisition). The results of Narragansett Electric are included in the consolidated results of PPL from the date of the Acquisition. Following the closing of the Acquisition, Narragansett Electric provides services doing business under the name Rhode Island Energy (RIE). See Note 8 for additional information.

2. Segment and Related Information

(PPL)

PPL is organized into three segments: Kentucky Regulated, Pennsylvania Regulated and Rhode Island Regulated. PPL's segments are segmented by geographic location.

The Kentucky Regulated segment consists primarily of LG&E's and KU's regulated electricity generation, transmission and distribution operations, as well as LG&E's regulated distribution and sale of natural gas.

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric.

The Rhode Island Regulated segment includes the regulated electricity transmission and distribution and natural gas distribution operations of RIE, which were acquired on May 25, 2022.

"Corporate and Other" primarily includes financing costs incurred at the corporate level that have not been allocated or assigned to the segments, certain other unallocated costs, certain non-recoverable costs resulting from commitments made to the Rhode Island Division of Public Utilities and Carriers and the Attorney General of the State of Rhode Island in conjunction with the acquisition of Narragansett Electric and the financial results of Safari Energy, which is presented to reconcile segment information to PPL's consolidated results.

As a result of the June 14, 2021 sale of the U.K. utility business, PPL determined segment information for the U.K. Regulated segment would no longer be provided beginning with the March 31, 2021 Form 10-Q. See Note 8 for additional information.

Income Statement data for the segments and reconciliation to PPL's consolidated results for the periods ended June 30 are as follows:

	Three Months		Six Months	
	2022	2021	2022	2021
Operating Revenues from external customers				
Kentucky Regulated	\$ 883	\$ 741	\$ 1,887	\$ 1,626
Pennsylvania Regulated	676	537	1,451	1,142
Rhode Island Regulated	128	—	128	—
Corporate and Other	9	10	12	18
Total	\$ 1,696	\$ 1,288	\$ 3,478	\$ 2,786
Net Income (Loss)				
Kentucky Regulated	\$ 102	\$ 84	\$ 281	\$ 230
Pennsylvania Regulated	124	96	267	209
Rhode Island Regulated	(29)	—	(29)	—
Corporate and Other	(78)	(716)	(127)	(772)
Discontinued Operations (a)	—	555	—	(1,488)
Total	\$ 119	\$ 19	\$ 392	\$ (1,821)

(a) See Note 8 for additional information on the sale of the U.K. utility business.

The following provides Balance Sheet data for the segments and reconciliation to PPL's consolidated Balance Sheets as of:

	June 30, 2022	December 31, 2021
Assets		
Kentucky Regulated	\$ 16,454	\$ 16,360
Pennsylvania Regulated	13,361	13,336
Rhode Island Regulated	5,819	—
Corporate and Other (a)	1,428	3,527
Total	\$ 37,062	\$ 33,223

(a) Primarily consists of unallocated items, including cash, PP&E, goodwill, the elimination of inter-segment transactions as well as the assets of Safari Energy.

(PPL Electric, LG&E and KU)

PPL Electric has two operating segments, distribution and transmission, which are aggregated into a single reportable segment. LG&E and KU are individually single operating and reportable segments.

3. Revenue from Contracts with Customers

(All Registrants)

See Note 3 in the Registrants' 2021 Form 10-K for a discussion of the principal activities from which PPL Electric, LG&E and KU and PPL's Pennsylvania Regulated and Kentucky Regulated segments generate their revenues.

(PPL)

Rhode Island Regulated Segment Revenues

The Rhode Island Regulated segment generates substantially all of its revenues from contracts with customers from RIE's regulated tariff-based transmission and distribution of electricity and regulated tariff-based distribution of natural gas.

Distribution Revenue

Distribution revenues are primarily from the sale of electricity, natural gas, and related services to retail customers. Distribution sales are regulated by the RIPUC, which is responsible for approving the rates and other terms of services as part of the rate making process. Natural gas and electric distribution revenues are derived from the regulated sale and distribution of electricity and natural gas to residential, commercial, and industrial customers within RIE's service territory under the tariff rates. The performance obligation related to distribution sales is to provide electricity and natural gas to customers on demand. The performance obligation is satisfied over time because the customer simultaneously receives and consumes the electricity or natural gas as services are provided. RIE records revenues related to the distribution sales based upon the approved tariff rate and the volume delivered to the customers, which corresponds with the amount RIE has the right to invoice.

Distribution revenue also includes estimated unbilled amounts, which represent the estimated amounts due from retail customers as a result of customer's bills rendered throughout the month, rather than bills being rendered at the end of the month. Unbilled revenues are determined based on estimated unbilled sales volumes for the respective customer classes and then applying the applicable tariff rate to those volumes. Any difference between estimated and actual revenues is adjusted the following month when the previous unbilled estimate is reversed and actual billings occur. This method of recognition fairly presents RIE's transfer of electricity and natural gas to the customer as the amount recognized is based on actual and estimated volumes delivered and the tariff rate per unit of energy and any applicable fixed charges or regulatory mechanisms as approved by the respective regulatory body.

Certain customers have the option to obtain electricity or natural gas from other suppliers. In those circumstances, revenue is only recognized for providing delivery of the commodity to the customer.

Transmission Revenue

RIE's transmission services are regulated by the FERC and coordinated with Independent System Operator (ISO) – New England (ISO-NE). Additionally, RIE makes available its transmission facilities to NEP, for operation and control pursuant to an integrated facilities agreement, Service Agreement No. 23 (Integrated Facilities Agreement or IFA). These revenues arise under tariff/rate agreements and are collected primarily from RIE's Rhode Island distribution customers. The revenue is recognized over-time as transmission services are provided and consumed. This method of recognition fairly presents RIE's transfer of transmission services as the daily rate is set by a FERC-approved formula-based rate.

(All Registrants)

The following tables reconcile "Operating Revenues" included in each Registrant's Statement of Income with revenues generated from contracts with customers for the periods ended June 30.

	2022 Three Months			
	PPL	PPL Electric	LG&E	KU
Operating Revenues (a)	\$ 1,696	\$ 676	\$ 410	\$ 491
Revenues derived from:				
Alternative revenue programs (b)	(40)	(23)	3	1
Other (c)	(6)	(3)	(2)	(2)
Revenues from Contracts with Customers	\$ 1,650	\$ 650	\$ 411	\$ 490

	2021 Three Months			
	PPL	PPL Electric	LG&E	KU
Operating Revenues (a)	\$ 1,288	\$ 537	\$ 342	\$ 411
Revenues derived from:				
Alternative revenue programs (b)	19	24	(1)	(4)
Other (c)	(5)	—	(2)	(3)
Revenues from Contracts with Customers	\$ 1,302	\$ 561	\$ 339	\$ 404

	2022 Six Months			
	PPL	PPL Electric	LG&E	KU
Operating Revenues (a)	\$ 3,478	\$ 1,451	\$ 903	\$ 1,016
Revenues derived from:				
Alternative revenue programs (b)	(67)	(59)	9	4
Other (c)	(13)	(7)	(4)	(3)
Revenues from Contracts with Customers	\$ 3,398	\$ 1,385	\$ 908	\$ 1,017

	2021 Six Months			
	PPL	PPL Electric	LG&E	KU
Operating Revenues (a)	\$ 2,786	\$ 1,142	\$ 770	\$ 880
Revenues derived from:				
Alternative revenue programs (b)	43	46	(1)	(2)
Other (c)	(11)	—	(5)	(6)
Revenues from Contracts with Customers	\$ 2,818	\$ 1,188	\$ 764	\$ 872

- (a) PPL includes \$128 million for the three and six months ended June 30, 2022 of revenues from external customers reported by the Rhode Island Regulated segment. PPL Electric represents revenues from external customers reported by the Pennsylvania Regulated segment and LG&E and KU, net of intercompany power sales and transmission revenues, represent revenues from external customers reported by the Kentucky Regulated segment. See Note 2 for additional information.
- (b) This line item shows the over/under collection of rate mechanisms deemed alternative revenue programs with over-collections of revenue shown as positive amounts in the table above and under-collections shown as negative amounts. For PPL Electric, the three and six months ended June 30, 2022, include \$30 million and \$74 million related to the amortization of the regulatory liability primarily recorded in 2021 for a reduction in the transmission formula rate return on equity that is reflected in rates in 2022. The three and six months ended June 30, 2021, included a \$24 million and \$51 million revenue reduction recorded as a result of the challenge to the transmission formula rate return on equity. See Note 6 for additional information.
- (c) Represents additional revenues outside the scope of revenues from contracts with customers, such as lease and other miscellaneous revenues.

The following tables show revenues from contracts with customers disaggregated by customer class for the periods ended June 30.

		Three Months							
	Residential	Commercial	Industrial	Other (a)	Wholesale - municipality	Wholesale - other (b)	Transmission	Revenues from Contracts with Customers	
PPL									
2022									
PA Regulated	\$ 329	\$ 117	\$ 30	\$ 14	\$ —	\$ —	\$ 160	\$ 650	
KY Regulated	339	251	167	93	8	26	—	884	
RI Regulated	31	12	1	47	—	—	16	107	
Corp and Other	—	—	—	9	—	—	—	9	
Total PPL	<u>\$ 699</u>	<u>\$ 380</u>	<u>\$ 198</u>	<u>\$ 163</u>	<u>\$ 8</u>	<u>\$ 26</u>	<u>\$ 176</u>	<u>\$ 1,650</u>	
2021									
PA Regulated	\$ 279	\$ 83	\$ 13	\$ 13	\$ —	\$ —	\$ 173	\$ 561	
KY Regulated	288	214	141	70	5	13	—	731	
RI Regulated	—	—	—	—	—	—	—	—	
Corp and Other	—	—	—	10	—	—	—	10	
Total PPL	<u>\$ 567</u>	<u>\$ 297</u>	<u>\$ 154</u>	<u>\$ 93</u>	<u>\$ 5</u>	<u>\$ 13</u>	<u>\$ 173</u>	<u>\$ 1,302</u>	
PPL Electric									
2022	\$ 329	\$ 117	\$ 30	\$ 14	\$ —	\$ —	\$ 160	\$ 650	
2021	\$ 279	\$ 83	\$ 13	\$ 13	\$ —	\$ —	\$ 173	\$ 561	
LG&E									
2022	\$ 169	\$ 124	\$ 49	\$ 47	\$ —	\$ 22	\$ —	\$ 411	
2021	\$ 144	\$ 107	\$ 43	\$ 31	\$ —	\$ 14	\$ —	\$ 339	
KU									
2022	\$ 170	\$ 127	\$ 118	\$ 45	\$ 8	\$ 22	\$ —	\$ 490	
2021	\$ 144	\$ 107	\$ 98	\$ 39	\$ 5	\$ 11	\$ —	\$ 404	

		Six Months							
	Residential	Commercial	Industrial	Other (a)	Wholesale - municipality	Wholesale - other (b)	Transmission	Revenues from Contracts with Customers	
PPL									
2022									
PA Regulated	\$ 782	\$ 225	\$ 45	\$ 26	\$ —	\$ —	\$ 307	\$ 1,385	
KY Regulated	817	521	321	176	14	45	—	1,894	
RI Regulated	31	12	1	47	—	—	16	107	
Corp and Other	—	—	—	12	—	—	—	12	
Total PPL	<u>\$ 1,630</u>	<u>\$ 758</u>	<u>\$ 367</u>	<u>\$ 261</u>	<u>\$ 14</u>	<u>\$ 45</u>	<u>\$ 323</u>	<u>\$ 3,398</u>	
2021									
PA Regulated	\$ 640	\$ 165	\$ 25	\$ 25	\$ —	\$ —	\$ 333	\$ 1,188	
KY Regulated	701	445	281	141	11	33	—	1,612	
RI Regulated	—	—	—	—	—	—	—	—	
Corp and Other	—	—	—	18	—	—	—	18	
Total PPL	<u>\$ 1,341</u>	<u>\$ 610</u>	<u>\$ 306</u>	<u>\$ 184</u>	<u>\$ 11</u>	<u>\$ 33</u>	<u>\$ 333</u>	<u>\$ 2,818</u>	

	Six Months										Revenues from Contracts with Customers
	Residential	Commercial	Industrial	Other (a)	Wholesale - municipality	Wholesale - other (b)	Transmission				
PPL Electric											
2022	\$ 782	\$ 225	\$ 45	\$ 26	\$ —	\$ —	\$ 307				\$ 1,385
2021	\$ 640	\$ 165	\$ 25	\$ 25	\$ —	\$ —	\$ 333				\$ 1,188
LG&E											
2022	\$ 415	\$ 270	\$ 94	\$ 86	\$ —	\$ 43	\$ —				\$ 908
2021	\$ 349	\$ 228	\$ 89	\$ 65	\$ —	\$ 33	\$ —				\$ 764
KU											
2022	\$ 402	\$ 251	\$ 227	\$ 89	\$ 14	\$ 34	\$ —				\$ 1,017
2021	\$ 352	\$ 217	\$ 192	\$ 76	\$ 11	\$ 24	\$ —				\$ 872

(a) Primarily includes revenues from pole attachments, street lighting, other public authorities and other non-core businesses. The Rhode Island Regulated segment also includes open access revenues.
 (b) Includes wholesale power and transmission revenues. LG&E and KU amounts include intercompany power sales and transmission revenues, which are eliminated upon consolidation at the Kentucky Regulated segment.

As discussed in Note 2, PPL segments its business by geographic location. Revenues from external customers for each segment/geographic location are reconciled to revenues from contracts with customers in the footnotes to the tables above.

Contract receivables from customers are primarily included in "Accounts receivable - Customer", "Unbilled revenues", and "Other noncurrent assets" on the Balance Sheets.

The following table shows the accounts receivable and unbilled revenues balances that were impaired for the periods ended June 30.

	Three Months		Six Months	
	2022	2021	2022	2021
PPL	\$ 25	\$ —	\$ 33	\$ 2
PPL Electric	—	—	5	1
LG&E	1	—	2	—
KU	1	—	2	1

The following table shows the balances and certain activity of contract liabilities resulting from contracts with customers.

	PPL	PPL Electric	LG&E	KU
Contract liabilities at December 31, 2021	\$ 42	\$ 25	\$ 6	\$ 6
Contract liabilities at June 30, 2022	33	16	6	5
Revenue recognized during the six months ended June 30, 2022 that was included in the contract liability balance at December 31, 2021	24	12	6	6
Contract liabilities at December 31, 2020	\$ 40	\$ 23	\$ 5	\$ 6
Contract liabilities at June 30, 2021	31	16	5	5
Revenue recognized during the six months ended June 30, 2021 that was included in the contract liability balance at December 31, 2020	23	11	5	6

Contract liabilities result from recording contractual billings in advance for customer attachments to the Registrants' infrastructure and payments received in excess of revenues earned to date. Advanced billings for customer attachments are generally recognized as revenue ratably over the quarterly billing period. Payments received in excess of revenues earned to date are recognized as revenue as services are delivered in subsequent periods.

At June 30, 2022, PPL had \$43 million of performance obligations attributable to Corporate and Other that have not been satisfied. Of this amount, PPL expects to recognize approximately \$27 million within the next 12 months.

4. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive share-based payment awards were converted to common shares as calculated using the Two-Class Method or Treasury Stock Method.

Reconciliations of the amounts of income and shares of PPL common stock (in thousands) for the periods ended June 30 used in the EPS calculation are:

	Three Months		Six Months	
	2022	2021	2022	2021
Income (Numerator)				
Income (Loss) from continuing operations after income taxes available to PPL common shareowners - Basic and Diluted	\$ 119	\$ (536)	\$ 392	\$ (333)
Income (Loss) from discontinued operations (net of income taxes) available to PPL common shareowners - Basic and Diluted	\$ —	\$ 555	\$ —	\$ (1,488)
Net income (loss) available to PPL common shareowners - Basic and Diluted	\$ 119	\$ 19	\$ 392	\$ (1,821)
Shares of Common Stock (Denominator)				
Weighted-average shares - Basic EPS	735,977	769,466	735,741	769,313
Add: Dilutive share-based payment awards	792	—	737	—
Weighted-average shares - Diluted EPS	736,769	769,466	736,478	769,313
Basic and Diluted EPS				
Available to PPL common shareowners:				
Income (Loss) from continuing operations after income taxes	\$ 0.16	\$ (0.69)	\$ 0.53	\$ (0.44)
Loss from discontinued operations (net of income taxes)	—	0.72	—	(1.93)
Net Income (Loss) available to PPL common shareowners	\$ 0.16	\$ 0.03	\$ 0.53	\$ (2.37)

For the periods ended June 30, PPL issued shares of common stock related to stock-based compensation plans as follows (in thousands):

	Three Months		Six Months	
	2022	2021	2022	2021
Stock-based compensation plans	—	137	124	657

See Note 7 for common stock repurchased under an authorized share repurchase program.

For the periods ended June 30, the following shares (in thousands) were excluded from the computations of diluted EPS because the effect would have been antidilutive.

	Three Months		Six Months	
	2022	2021	2022	2021
Stock-based compensation awards	66	3,443	110	1,838

5. Income Taxes

Reconciliations of income tax expense (benefit) for the periods ended June 30 are as follows.

(PPL)

	Three Months		Six Months	
	2022	2021	2022	2021
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 21%	\$ 32	\$ (40)	\$ 104	\$ 15
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	27	(18)	48	(5)
Valuation allowance adjustments (a)	7	26	10	34
Impact of the U.K. Finance Acts on deferred tax balances (b)	—	383	—	383
Amortization of investment tax credit including deferred taxes on basis adjustment	(4)	—	(7)	(1)
Depreciation and other items not normalized	(5)	(2)	(8)	(4)
Amortization of excess deferred federal and state income taxes	(22)	(8)	(40)	(20)
Other	(3)	4	(1)	2
Total increase (decrease)	—	385	2	389
Total income tax expense (benefit)	\$ 32	\$ 345	\$ 106	\$ 404

- (a) In June 2021, PPL recorded a \$25 million state deferred tax benefit on a net operating loss and an offsetting valuation allowance in connection with the loss on extinguishment associated with a tender offer to purchase and retire PPL Capital Funding's outstanding Senior Notes.
- (b) The U.K. Finance Act 2021, formally enacted on June 10, 2021, increased the U.K. corporation tax rate from 19% to 25%, effective April 1, 2023. The primary impact of the corporation tax rate increase was an increase in deferred tax liabilities of the U.K. utility business, which was sold on June 14, 2021, and a corresponding deferred tax expense of \$383 million, which was recognized in continuing operations.

(PPL Electric)

	Three Months		Six Months	
	2022	2021	2022	2021
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$ 35	\$ 27	\$ 76	\$ 59
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	13	10	28	22
Depreciation and other items not normalized	(3)	(2)	(6)	(4)
Amortization of excess deferred federal and state income taxes	(2)	(3)	(5)	(6)
Other	1	2	1	—
Total increase (decrease)	9	7	18	12
Total income tax expense (benefit)	\$ 44	\$ 34	\$ 94	\$ 71

(LG&E)

	Three Months		Six Months	
	2022	2021	2022	2021
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$ 13	\$ 12	\$ 37	\$ 32
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	2	2	7	6
Amortization of excess deferred federal and state income taxes	(7)	(3)	(14)	(6)
Other	1	1	(2)	(1)
Total increase (decrease)	(4)	—	(9)	(1)
Total income tax expense (benefit)	\$ 9	\$ 12	\$ 28	\$ 31

(KU)

	Three Months		Six Months	
	2022	2021	2022	2021
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$ 17	\$ 15	\$ 45	\$ 37
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	3	3	8	7
Amortization of excess deferred federal and state income taxes	(6)	(4)	(12)	(8)
Other	1	(1)	(2)	(2)
Total increase (decrease)	(2)	(2)	(6)	(3)
Total income tax expense (benefit)	\$ 15	\$ 13	\$ 39	\$ 34

Other

Narragansett Electric Acquisition (PPL)

The acquisition of Narragansett Electric was deemed an asset acquisition for federal and state income tax purposes, as a result of PPL and National Grid making a tax election under Internal Revenue Code (IRC) §338(h)(10). Accordingly, the tax basis of substantially all of the assets acquired were increased to fair market value, which equaled net book value, thereby eliminating the related deferred tax assets and liabilities. The tax goodwill will be amortized for tax purposes over 15 years.

Pennsylvania State Tax Reform (PPL and PPL Electric)

On July 8, 2022, the Governor of Pennsylvania signed into law Pennsylvania House Bill 1342 (H.B. 1342). Among other changes to the state tax code, the bill will reduce the corporate net income tax rate from 9.99% to 8.99% beginning January 1, 2023, and reduces annually by half a percentage point until the rate reaches 4.99% in 2031.

GAAP requires that deferred tax assets and liabilities be measured at the enacted tax rate expected to apply when temporary book-to-tax differences are expected to be realized or settled. Accordingly, in the third quarter of 2022, PPL expects to record the impact of the reduced tax rate as a reduction in the accumulated deferred income taxes related to regulated operations in an amount between \$200 million and \$300 million, with a corresponding increase in regulatory liabilities. In addition, PPL expects to recognize a deferred tax benefit of between \$3 million and \$7 million primarily associated with the remeasurement of accumulated deferred income tax balances related to non-regulated operations.

The foregoing numbers are estimates that will be updated quarterly to reflect revised forecast, actual activity, and orders from regulatory authorities.

6. Utility Rate Regulation

(All Registrants)

The following table provides information about the regulatory assets and liabilities of cost-based rate-regulated utility operations.

	PPL		PPL Electric	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Current Regulatory Assets:				
Gas supply clause	\$ 44	\$ 21	\$ —	\$ —
Rate adjustment mechanisms	77	—	—	—
Smart meter rider	6	11	6	11
Fuel adjustment clause	47	11	—	—
Other	24	21	5	11
Total current regulatory assets	\$ 198	\$ 64	\$ 11	\$ 22
Noncurrent Regulatory Assets:				
Defined benefit plans	\$ 603	\$ 523	\$ 241	\$ 256
Plant outage costs	49	54	—	—
Net metering	51	—	—	—
Environmental cost recovery	102	—	—	—
Taxes recoverable through future rates	50	—	—	—
Storm costs	146	11	—	—
Unamortized loss on debt	22	24	3	4
Interest rate swaps	10	18	—	—
Terminated interest rate swaps	67	70	—	—
Accumulated cost of removal of utility plant	226	228	226	228
AROs	309	302	—	—
Other	46	6	—	—
Total noncurrent regulatory assets	\$ 1,681	\$ 1,236	\$ 470	\$ 488
Current Regulatory Liabilities:				
Generation supply charge	\$ 12	\$ 10	\$ 12	\$ 10
Transmission service charge	14	21	14	21
Universal service rider	—	17	—	17
TCJA customer refund	20	22	20	22
Act 129 compliance rider	15	10	15	10
Transmission formula rate return on equity (a)	8	73	8	73
Economic relief billing credit	—	27	—	—
Derivative instruments	55	—	—	—
Rate adjustment mechanism	74	—	—	—
Energy efficiency	23	—	—	—
Other	20	2	—	—
Total current regulatory liabilities	\$ 241	\$ 182	\$ 69	\$ 153
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	\$ 917	\$ 639	\$ —	\$ —
Power purchase agreement - OVEC	30	35	—	—
Net deferred taxes	1,857	1,591	513	531
Defined benefit plans	106	95	36	28
Terminated interest rate swaps	62	62	—	—
Energy efficiency	35	—	—	—
Other	49	—	—	—
Total noncurrent regulatory liabilities	\$ 3,056	\$ 2,422	\$ 549	\$ 559

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	LG&E		KU	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Current Regulatory Assets:				
Gas supply clause	\$ 32	\$ 21	\$ —	\$ —
Gas line tracker	—	3	—	—
Generation formula rate	—	—	2	2
Fuel adjustment clause	17	4	30	7
Other	3	5	1	—
Total current regulatory assets	\$ 52	\$ 33	\$ 33	\$ 9
Noncurrent Regulatory Assets:				
Defined benefit plans	\$ 189	\$ 164	\$ 123	\$ 103
Storm costs	8	8	3	3
Unamortized loss on debt	12	12	7	8
Interest rate swaps	10	18	—	—
Terminated interest rate swaps	39	41	28	29
AROs	75	75	222	227
Plant outage costs	13	15	36	39
Other	9	4	11	2
Total noncurrent regulatory assets	\$ 355	\$ 337	\$ 430	\$ 411
Current Regulatory Liabilities:				
Economic relief billing credit	\$ —	\$ 21	\$ —	\$ 6
Other	3	—	5	2
Total current regulatory liabilities	\$ 3	\$ 21	\$ 5	\$ 8
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	\$ 274	\$ 262	\$ 379	\$ 377
Power purchase agreement - OVEC	21	24	9	11
Net deferred taxes	483	491	559	569
Defined benefit plans	11	10	59	57
Terminated interest rate swaps	31	31	31	31
Total noncurrent regulatory liabilities	\$ 820	\$ 818	\$ 1,037	\$ 1,045

(a) See "Regulatory Matters - Federal Matters - PPL Electric Transmission Formula Rate Return on Equity" below for additional information.

Following is an overview of regulatory assets and liabilities detailed in the preceding tables which were recognized as a result of the acquisition of RIE. Specific developments with respect to certain of these regulatory assets and liabilities are discussed in "Regulatory Matters."

Derivative Instruments

RIE evaluates open derivative instruments for regulatory deferral by determining if they are probable of recovery from, or refund to, customers through future rates. Derivative instruments that qualify for recovery are recorded at fair value, with changes in fair value recorded as regulatory assets or regulatory liabilities in the period in which the change occurs. The balance is reconcilable, and any over- or under-recovery from customers will be refunded or recovered annually in the subsequent year.

Energy Efficiency

Represents the difference between revenue billed to customers through RIE's energy efficiency charge and the costs of the RIE's energy efficiency programs as approved by the RIPUC.

The energy efficiency charge is designed to collect the estimated costs of the RIE's energy efficiency plan for the upcoming calendar year plus a full reconciliation of all costs and revenues for the current year including a reconciliation of forecasted revenue and costs for months of the current year for which actual data is not available at the time of the filing. Any projected amounts included in the energy efficiency charge filing are subject to reconciliation to actual amounts and any difference will be reflected in a future energy efficiency charge filing. The final annual over/under is reconciled in the next year's energy efficiency plan filing, as part of the reconciliation factor calculation. RIE may file to change the EEP charge at any time should significant over-or under-recoveries occur.

Environmental Cost Recovery

The regulatory asset represents deferred costs associated with RIE's share of the estimated costs to investigate and perform certain remediation activities at sites with which it may be associated. RIE's rate plans provide for specific rate allowances for these costs, with variances deferred for future recovery from, or return to, customers. RIE believes future costs, beyond the expiration of current rate plans, will continue to be recovered through rates. The regulatory asset represents the excess of amounts received in rates over RIE's actual site investigation and remediation costs.

Net Metering

Net metering deferral reflects the recovery mechanism for costs associated with customer-installed on-site generation facilities, including the costs of renewable generation credits. This surcharge provides RIE with a mechanism to recover such amounts. Net metering is reconcilable annually, and any over- or under-recovery from customers will be refunded to, or recovered from, customers through the adjustment factor determined for the subsequent year.

Rate Adjustment Mechanisms

In addition to commodity costs, RIE is subject to a number of additional rate adjustment mechanisms whereby an asset or liability is recognized resulting from differences between actual revenues and the underlying cost being recovered or differences between actual revenues and targeted amounts as approved by the RIPUC. The rate adjustment mechanisms are reconcilable, and any over- or under-recovery from customers will be refunded or recovered annually in the subsequent year.

Taxes Recoverable through Future Rates

Taxes recoverable through future rates represent the portion of future income taxes that will be recovered through future rates based upon established regulatory practices. Accordingly, this regulatory asset is recognized when the offsetting deferred tax liability is recognized. For general-purpose financial reporting, this regulatory asset and the deferred tax liability are not offset; rather, each is displayed separately. This regulatory asset is expected to be recovered over the period that the underlying book-tax timing differences reverse and the actual cash taxes are incurred.

Regulatory Matters

Rhode Island Activities (PPL)

Rate Case proceedings

On August 24, 2018, pursuant to Report and Order No. 23823 issued May 5, 2020, the RIPUC approved the terms of an Amended Settlement Agreement (ASA), reflecting an allowed return on equity (ROE) rate of 9.275% based on a common equity ratio of approximately 51%. RIE is currently in year four of the multi-year rate plan (Rate Plan). On June 30, 2021, the Rhode Island Division of Public Utilities and Carriers consented to an open-ended extension of the term of the Rate Plan such that RIE was not required to file its next rate case in order for new rates take effect no later than September 1, 2022 as originally contemplated by the ASA. Pursuant to the settlement with the Rhode Island Office of the Attorney General in connection with the acquisition of RIE by PPL, RIE currently does not anticipate filing a new base rate case until at least three years following the closing of the acquisition. Pursuant to the open-ended extension, the Rate Year 3 level of base distribution rates under ASA will remain in effect and RIE will continue to operate under the current Rate Plan until a new Rate Plan is approved by the RIPUC.

The ASA includes additional provisions, including (i) an Electric Transportation Initiative (the ET Initiative) to facilitate the growth of Electric Vehicle (EV) adoption and scaling of the market for EV charging equipment to advance Rhode Island's zero emission vehicles and greenhouse gas emissions policy goals, which the RIPUC is continuing to review in connection with certain underspending in the ET Initiative and the timing of crediting customers the deferral balance pursuant to the ASA, (ii) two energy storage demonstration projects, which are on track for timely completion, (iii) a new incentive-only performance incentive for System Efficiency: Annual Megawatt (MW) Capacity Savings, which sunsets in 2021 and requires a tariff advice filing with the RIPUC to extend, and (iv) several additional metrics for tracking and reporting purposes only.

Advanced Metering Functionality and Grid Modernization

On January 21, 2021, RIE filed its Updated Advance Metering Functionality (AMF) Business Case and Grid Modernization Plan (GMP) with the RIPUC in accordance with the rate case settlement. The Updated AMF Business Case – a foundational component of the GMP – seeks approval to deploy smart meters throughout the service territory. Pursuant to the written order issued on July 14, 2021, the RIPUC stayed the AMF and GMP proceedings pending further consideration following the issuance of a final Order by the Rhode Island Division of Public Utilities and Carriers on the Acquisition. RIE intends to withdraw the original AMF Updated Business Case and GMP and file a new AMF Business Case in September 2022, followed by a new GMP in December 2022.

COVID-19 Deferral Filing

On April 30, 2021, RIE filed a petition for approval to recognize regulatory assets related to COVID-19 Impacts (RIPUC Docket No. 5154). In its Petition, RIE seeks the RIPUC's authorization to create regulatory assets and consideration of future cost recovery for the following COVID-19 Costs: (1) the increased cost of customer accounts receivable that RIE will be unable to collect as a result of the COVID-19 pandemic, and the executive orders and RIPUC orders restricting RIE's collection activities as a result of the pandemic, which will result in increased net charge-offs; (2) lost revenue from unassessed late payment charges; and (3) charges to RIE for other fees that RIE has waived pursuant to the RIPUC's orders in RIPUC Docket No. 5022. The RIPUC has not taken any action on the filing to date and RIE is continuing to monitor the docket. RIE intends to evaluate its request to create a regulatory asset for COVID-19-related bad debt expense to consider the impact, if any, of the proposed arrearage forgiveness sought in RIE's Petition to Forgive Certain Arrearage Balances for Low-Income and Protected Customers in Docket No. 22-08-GE, which RIE filed with the RIPUC to fulfill its obligations under PPL's settlement with the Rhode Island Attorney General.

FY 2023 Gas Infrastructure, Safety and Reliability (ISR) Plan

At an Open Meeting on March 29, 2022, the RIPUC conditionally approved RIE's FY 2023 Gas ISR Plan and associated revenue requirement, subject to further review regarding RIE's Proactive Main Replacement Program and its decision to reconstruct and purchase heating and pressure regulation equipment located at RIE's Wampanoag and Tiverton take stations. Regarding the Proactive Main Replacement Program, the Chair of the RIPUC questioned whether the new main should be deemed "used and useful" and, hence, placed into rate base before the old main is fully abandoned. Currently, the new main is deemed "in-service" once the pipe is installed and gassed in. The RIPUC held a hearing on June 1, 2022 to further review RIE's lag in performance in replacing mains, including reasons for the lag, ratemaking implications, and the "used and useful" standard. RIE responded to several record requests following the hearing and the matter is still pending with the RIPUC. If the RIPUC rules that RIE may not include a new main in rate base until it has completed the abandonment of the old main, the RIPUC may order an adjustment to the revenue requirement through the 2023 annual reconciliation process. Such a decision could cause a 1-year decline in the annual total for Capital Additions/ Plant In-Service. RIE cannot predict the outcome of this matter and an estimate of the impact cannot be determined. Also, the RIPUC directed RIE to submit prefiled testimony on the issue of its replacement of heating and pressure regulation facilities at the Wampanoag and Tiverton take stations and to address three issues, specifically: (i) a cost-benefit analysis arising from RIE's decision to take ownership of the reconstructed take station equipment; (ii) the potential that the benefits derived from the reconstruction and ownership transfer of the take station equipment will not be realized due to the future use of hydrogen or abandonment of the gas system; and (iii) the depreciation and accounting treatment of the reconstructed take station equipment. RIE filed this testimony with the RIPUC on May 16, 2022 and this issue is still pending before the RIPUC.

Federal Matters

PPL Electric Transmission Formula Rate Return on Equity (PPL and PPL Electric)

In May 2020, PP&L Industrial Customer Alliance (PPLICA) filed a complaint with the FERC alleging that PPL Electric's base ROE used to determine PPL Electric's formula transmission rate was unjust and unreasonable. In August 2021, PPL Electric entered into a settlement agreement (the Settlement) with PPLICA and all other parties, including intervenors. The key aspects of the Settlement include changes to PPL Electric's base ROE, changes to the equity component of PPL Electric's capital structure, allowing modification of the current rate year to a calendar year and allowing modification of the current formula rate based on a historic test year to a projected test year. The settlement was approved by the FERC in November 2021. The interim rates reflecting the agreed-to-base ROE in the Settlement were effective December 1, 2021.

In the three and six months ended June 30, 2021, PPL and PPL Electric recorded a revenue reduction on the Statement of Income of \$17 million and \$36 million after-tax representing an estimate of the revenue subject to refund from the date of the complaint through June 30, 2021. Of these amounts, \$7 million and \$13 million for the three and six months ended June 30, 2021, related to the period from May 21, 2020 to December 31, 2020.

As of December 31, 2021, PPL and PPL Electric had a regulatory liability on the Balance Sheet of \$73 million, which represents revenue subject to refund based on the difference between charges that were calculated using the ROE in effect at the time and charges calculated using the revised ROE provided for in the Settlement, plus interest at the FERC interest rate. During the three and six months ended June 30, 2022, \$30 million and \$74 million of revenue was refunded to customers, respectively. The total balance at December 31, 2021, plus additional interest recorded was refunded to customers by May 31, 2022.

FERC Transmission Rate Filing (PPL, LG&E and KU)

In 2018, LG&E and KU applied to the FERC requesting elimination of certain on-going credits to a sub-set of transmission customers relating to the 1998 merger of LG&E's and KU's parent entities and the 2006 withdrawal of LG&E and KU from the Midcontinent Independent System Operator, Inc. (MISO), a regional transmission operator and energy market. The application sought termination of LG&E's and KU's commitment to provide certain Kentucky municipalities mitigation for certain horizontal market power concerns arising out of the 1998 LG&E and KU merger and 2006 MISO withdrawal. The amounts at issue are generally waivers or credits granted to a limited number of Kentucky municipalities for either certain LG&E and KU or MISO transmission charges incurred for transmission service received. In 2019, the FERC granted LG&E's and KU's request to remove the ongoing credits, conditioned upon the implementation by LG&E and KU of a transition mechanism for certain existing power supply arrangements, which was subsequently filed, modified, and approved by the FERC in 2020 and 2021. In 2020, LG&E and KU and other parties filed appeals with the D.C. Circuit Court of Appeals regarding FERC's orders on the elimination of the mitigation and required transition mechanism. Oral arguments in the appellate proceeding occurred on February 14, 2022. LG&E and KU cannot predict the outcome of the respective appellate and FERC proceedings. LG&E and KU currently receive recovery of the waivers and credits provided through other rate mechanisms and such rate recovery would be anticipated to be adjusted in future rate proceedings consistent with potential changes or terminations of the waivers and credits, as such become effective.

Recovery of Transmission Costs (PPL)

On an interim basis, RIE's transmission facilities continue to be operated in combination with the transmission facilities of National Grid's New England affiliates, Massachusetts Electric Company (MECO) and NEP, as a single integrated system with NEP designated as the combined operator. NEP collects the costs of the combined transmission asset pool including a return on those facilities under NEP's Tariff No. 1 from the ISO. The ISO allocates these costs among transmission customers in New England, in accordance with the ISO Open Access Transmission Tariff (ISO-NE OATT).

According to the FERC orders, RIE is compensated for its actual monthly transmission costs, with its authorized maximum ROE of 11.74% on its transmission assets. The amount remitted by NEP to RIE for the three and six months ended June 30, 2022 was \$14 million.

The ROE for transmission rates under the ISO-NE OATT is the subject of four complaints that are pending before the FERC. On October 16, 2014, the FERC issued an order on the first complaint, Opinion No. 531-A, resetting the base ROE applicable to transmission assets under the ISO-NE OATT from 11.14% to 10.57% effective as of October 16, 2014 and establishing a maximum ROE of 11.74%. On April 14, 2017, this order was vacated and remanded by the District of Columbia Circuit (Court

of Appeals). After the remand, the FERC issued an order on October 16, 2018 applicable to all four pending cases where it proposed a new base ROE methodology that, with subsequent input and support from the New England Transmission Owners (NETO), yielded a base ROE of 10.41%. Subsequent to the FERC's October 2018 order in the New England Transmission Owners cases, the FERC further refined its ROE methodology in another proceeding and has applied that refined methodology to transmission owners' ROEs in other jurisdictions, and the NETOs filed further information in the New England matters to distinguishing their case. Those determinations in other jurisdictions are currently on appeal before the Court of Appeals. The proceeding and the final base rate ROE determination in the New England matters remain open, pending a final order from the FERC. PPL cannot predict the outcome of this matter, and an estimate of the impact cannot be determined.

Other

Purchase of Receivables Program (*PPL and PPL Electric*)

In accordance with a PAPUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. Accounts receivable that are acquired are initially recorded at fair value on the date of acquisition. During the three and six months ended June 30, 2022, PPL Electric purchased \$273 million and \$622 million of accounts receivable from alternative suppliers. During the three and six months ended June 30, 2021, PPL Electric purchased \$250 million and \$574 million of accounts receivable from alternative suppliers.

7. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

The Registrants maintain credit facilities to enhance liquidity, provide credit support and act as a backstop to commercial paper programs. For reporting purposes, on a consolidated basis, PPL's arrangements listed below include the credit facilities and commercial paper programs of PPL Electric, LG&E and KU. The amounts listed in the borrowed column below are recorded as "Short-term debt" on the Balance Sheets. The following credit facilities were in place at:

	June 30, 2022				December 31, 2021		
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
PPL Capital Funding (a)							
Syndicated Credit Facility	Dec. 2026	\$ 1,250	\$ —	\$ 256	\$ 994	\$ —	\$ —
Bilateral Credit Facility	Mar. 2023	100	—	—	100	—	—
Bilateral Credit Facility (b)	Mar. 2023	100	—	60	40	—	15
Total PPL Capital Funding Credit Facilities		\$ 1,450	\$ —	\$ 316	\$ 1,134	\$ —	\$ 15
PPL Electric							
Syndicated Credit Facility	Dec. 2026	\$ 650	\$ —	\$ 1	\$ 649	\$ —	\$ 1
LG&E							
Syndicated Credit Facility	Dec. 2026	\$ 500	\$ —	\$ 394	\$ 106	\$ —	\$ 69
KU							
Syndicated Credit Facility	Dec. 2026	\$ 400	\$ —	\$ 338	\$ 62	\$ —	\$ —

(a) PPL Capital Funding's obligations are fully and unconditionally guaranteed by PPL.
 (b) Includes a \$45 million letter of credit on behalf of RIE.

(PPL, LG&E and KU)

In March 2022, PPL Capital Funding amended and restated its two existing \$50 million bilateral credit facilities to extend the termination dates from March 9, 2022 to March 6, 2023 and to increase the borrowing capacity under each facility to \$100 million.

In July 2022, LG&E entered into a \$300 million term loan credit facility expiring in 2024. On July 29, 2022, LG&E borrowed \$300 million under this facility at an initial interest rate of 3.23%. The per annum interest rate fluctuates based on the applicable secured overnight financing rate plus a spread. The proceeds will be used to repay short-term debt and for general corporate purposes.

In July 2022, KU entered into a \$300 million term loan credit facility expiring in 2024. On July 29, 2022, KU borrowed \$300 million under this facility at an initial interest rate of 3.23%. The per annum interest rate fluctuates based on the applicable secured overnight financing rate plus a spread. The proceeds will be used to repay short-term debt and for general corporate purposes.

(All Registrants)

PPL Capital Funding, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's credit facilities. The following commercial paper programs were in place at:

	June 30, 2022				December 31, 2021	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding (a)	1.19%	\$ 1,350	\$ 256	\$ 1,094		\$ —
PPL Electric		650	—	650		—
LG&E	1.20%	425	394	31	0.31%	69
KU	1.21%	350	338	12		—
Total		\$ 2,775	\$ 988	\$ 1,787		\$ 69

(a) PPL Capital Funding's obligations are fully and unconditionally guaranteed by PPL.

(PPL Electric, LG&E, and KU)

See Note 11 for discussion of intercompany borrowings.

(PPL)

Long-term Debt

As a result of the acquisition of Narragansett Electric on May 25, 2022, PPL assumed approximately \$1.5 billion of long-term debt. The following was outstanding at June 30, 2022:

	Weighted-Average Rate (a)	Maturities (a)	June 30, 2022
RIE			
Senior Unsecured Notes	4.10 %	2028 - 2042	\$ 1,500
Senior Secured Notes/First Mortgage Bonds (b)	8.27 %	2022 - 2025	16
Total Long-term Debt before adjustments			1,516
Unamortized debt issuance costs			(6)
Total Long-term Debt			1,510
Less current portion of Long-term Debt			14
Total Long-term Debt, noncurrent			\$ 1,496

(a) The table reflects principal maturities only, based on stated maturities or earlier put dates, and the weighted-average rates as of June 30, 2022.

(b) Includes first mortgage bonds with an annual sinking fund requirement of \$750,000 through maturity in 2025.

The aggregate maturities of long-term debt, based on stated maturities or earlier put dates, for the periods 2022 through 2026 and thereafter are as follows:

	RIE	
2022	\$	14
2023		1
2024		1
2025		1
2026		—
Thereafter		1,499
Total	\$	1,516

Equity Securities

Share Repurchase

In August 2021, PPL's Board of Directors authorized share repurchases of up to \$3 billion of PPL common shares. In 2021, PPL repurchased approximately \$1 billion of PPL common shares. There were no share repurchases during the three and six months ended June 30, 2022. The actual additional amounts to be repurchased pursuant to this authority will depend on various factors, including PPL's share price and market conditions. PPL may purchase shares on each trading day subject to market conditions and principles of best execution.

Dividends

In June 2022, PPL declared a quarterly common stock dividend, payable July 1, 2022, of 22.5 cents per share (equivalent to 90.0 cents per annum).

Preferred Stock

RIE has \$3 million of certain issues of non-participating cumulative preferred stock outstanding that can be redeemed at the option of RIE. There are no mandatory redemption provisions on the cumulative preferred stock. Dividends on the cumulative preferred stock accrue quarterly and are prior to any dividends on the common stock of RIE. Pursuant to the preferred stock arrangement, as long as any preferred stock is outstanding, certain restrictions on payment of common stock dividends would come into effect if the common stock equity of RIE was, or by reason of payment of such dividends became, less than 25% of total capitalization of RIE. RIE was current on the preferred stock dividends and was in compliance with this covenant and accordingly, was not restricted as to the payment of common stock dividends under the foregoing provisions as of June 30, 2022.

8. Acquisitions, Development and Divestitures

(PPL)

Acquisitions

Acquisition of Narragansett Electric

On May 25, 2022, PPL Rhode Island Holdings acquired 100% of the outstanding shares of common stock of Narragansett Electric from National Grid U.S., a subsidiary of National Grid plc (the Acquisition). Narragansett Electric, whose service area covers substantially all of Rhode Island, is primarily engaged in the transmission and distribution of natural gas and electricity. The Acquisition expands PPL's portfolio of regulated natural gas and electricity transmission and distribution assets and is expected to improve credit metrics and enhance long term earnings growth. Following the closing of the Acquisition, Narragansett Electric provides services doing business under the name Rhode Island Energy (RIE).

The consideration for the Acquisition consisted of approximately \$3.8 billion in cash and approximately \$1.5 billion of long-term debt assumed through the transaction. The fair value of the consideration paid for Narragansett Electric was as follows (in billions):

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Aggregate enterprise consideration	\$	5.3
Less: fair value of assumed long-term debt outstanding		1.5
Total cash consideration	\$	3.8

The \$3.8 billion total cash consideration paid was funded with proceeds from PPL's 2021 sale of its U.K. utility business.

In connection with the Acquisition, National Grid USA Service Company, Inc., National Grid U.S. and Narragansett Electric have entered into a transition services agreement (TSA), pursuant to which National Grid has agreed to provide certain transition services to Narragansett Electric to facilitate the transition of the operation of Narragansett Electric to PPL following the Acquisition, as agreed upon in the Narragansett SPA. The TSA is for an initial two-year term and is subject to extension as necessary to complete the successful transition. TSA costs of \$18 million were incurred for the three and six-month periods ended June 30, 2022.

Acquisition Approval

The Acquisition required certain approvals or waivers, including, among others, approval of National Grid USA's shareholders, authorizations or waivers from the Rhode Island Division of Public Utilities and Carriers, the Massachusetts Department of Public Utilities, the Federal Communications Commission (FCC), and the FERC, as well as review under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. All such approvals were received prior to closing of the Acquisition.

Commitments to the Rhode Island Division of Public Utilities and Carriers and the Attorney General of the State of Rhode Island

As a condition to the Acquisition, PPL made certain commitments to the Rhode Island Division of Public Utilities and Carriers and the Attorney General of the State of Rhode Island. As a result:

- RIE will provide a credit to all of its electric and natural gas distribution customers in the total amount of \$50 million. Based on the relative number of electric distribution customers and natural gas distribution customers, RIE expects to credit \$33 million to electric customers and \$17 million to natural gas customers. Each electric customer will receive the same credit, and each natural gas customer will receive the same credit. On July 12, 2022, the RIPUC voted to suspend the tariff advice for bill credits for 60 days to allow more time to issue discovery on the filing. These credits will reduce revenue in future periods when the credits are issued.
- RIE will forgive approximately \$44 million (\$21 million net of allowance for doubtful accounts) in arrearages for low-income and protected residential customers, which represents 100% of the arrearages over 90 days for those customers as of March 31, 2022. PPL deemed these accounts uncollectible and fully reserved for them in the second quarter of 2022, resulting in an increase to "Other operations and maintenance expense" of \$23 million for the three and six-month periods ended June 30, 2022.
- RIE will not file a base rate case seeking an increase in base distribution rates for natural gas and/or electric service sooner than three years from the Acquisition date, and RIE will not submit a request for a change in base rates unless and until there is at least twelve months of operating experience under PPL's exclusive leadership and after the TSA with National Grid terminates.
- RIE will forgo potential recovery of any and all transition costs which PPL estimates will be approximately \$408 million through June 30, 2024 and includes (1) the installation of certain information technology systems; (2) modification and enhancements to physical facilities in Rhode Island; and (3) incurring costs related to severance payments, communications and branding changes, and other transition related costs. These costs will be expensed as incurred. These costs were \$74 million and \$101 million for the three and six-month periods ended June 30, 2022.
- RIE will not seek to recover any transaction costs related to the Acquisition, which were \$27 million through June 30, 2022, including \$16 million and \$18 million for the three and six-month periods ended June 30, 2022 which were recorded in "Other operations and maintenance expense."
- RIE will not seek to recover in rates any markup charged by National Grid U.S. and/or its affiliates under the TSA. These amounts were immaterial as of June 30, 2022.
- In June 2022, RIE expensed \$20 million of regulatory assets as of the Acquisition date for the Gas Business Enablement (GBE) project and for certain Cybersecurity/IT investments related to GBE. The expense was recorded to "Other operations and maintenance expense" on the income statement for the three and six months ended June 30, 2022. RIE will not seek to recover these regulatory assets from customers in any future proceedings.
- RIE will exclude all goodwill from the ratemaking capital structure.

- RIE will hold harmless Rhode Island customers from any changes to Accumulated Deferred Income Taxes (ADIT) as a result of the Acquisition. RIE reserves the right to seek rate adjustments based on future changes to ADIT that are not related to the Acquisition.
- RIE will not increase its revenue requirement to a level higher than what would exist in the absence of the Acquisition as a result of any restatement of pension and other post-retirement benefits plan assets and liabilities to fair value after the close of the Acquisition.
- Rhode Island Holdings will contribute \$2.5 million to the Rhode Island Commerce Corporation's Renewable Energy Fund and not use any of the \$2.5 million to meet its pre-existing renewable energy credit goals in Rhode Island or any other state. This contribution was made during the quarter ended June 30, 2022 and was recorded in "Other Income (Expense)."
- RIE will make available up to \$2.5 million for the Rhode Island Attorney General to utilize as needed in evaluating PPL's report on RIE's specific decarbonization goals to support Rhode Island's 2021 Act on Climate or to assess the future of the gas distribution business in Rhode Island. This amount was accrued during the quarter ended June 30, 2022 and was recorded in "Other Income (Expense)."
- Various other operational and reporting commitments have been established.

Purchase Price Allocation

The operations of Narragansett Electric are subject to the accounting for certain types of regulation as prescribed by GAAP. The carrying value of Narragansett Electric's assets and liabilities subject to rate-setting and cost recovery provisions provide revenues derived from costs, including a return on investment of assets and liabilities included in rate base. As such, the fair values of these assets and liabilities equal their carrying values. Accordingly, neither the assets acquired or liabilities assumed, nor the unaudited pro forma financial information presented below, reflect any adjustments related to these amounts.

The excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed was \$1,581 million, which has been recorded as goodwill. PPL has elected to not push down the effects of purchase accounting to the financial statements of RIE or PPL's Rhode Island Regulated segment. Accordingly, the Rhode Island Regulated segment includes \$725 million of legacy goodwill acquired. The remaining excess purchase price of \$856 million is being included in PPL's Corporate and Other category for segment reporting purposes. The goodwill reflects the value paid for the expected continued growth of a rate-regulated business located in a defined service area with a constructive regulatory environment, the ability of PPL to leverage its assembled workforce to take advantage of those growth opportunities and the attractiveness of stable, growing cash flows. The tax goodwill will be deductible for income tax purposes, and as such, deferred taxes will be recorded related to goodwill.

The table below shows the preliminary allocation of the purchase price to the assets acquired and liabilities assumed that were recorded in PPL's Consolidated Balance Sheet at the Acquisition date. The allocation is subject to change during the one-year measurement period as additional information is obtained about the facts and circumstances that existed at closing. The items pending finalization include, but are not limited to, final working capital adjustments and the valuation of defined benefit plans. As a result, the amount of goodwill included below may change by a material amount as PPL finalizes the allocation of the purchase price.

	May 25, 2022
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 142
Accounts Receivable (a)	195
Unbilled Revenues	54
Price Risk Management Assets	99
Regulatory Assets	75
Other Current Assets	65
Total Current Assets	630

May 25, 2022

Noncurrent Assets	
Property, Plant and Equipment, net	3,990
Regulatory Assets	437
Goodwill	1,581
Other Noncurrent Assets	134
Total Noncurrent Assets	6,142
Total Assets	\$ 6,772
Liabilities	
Current Liabilities	
Long-Term Debt Due Within One Year	\$ 14
Accounts Payable	183
Taxes Accrued	44
Regulatory Liabilities	237
Other Current Liabilities	198
Total Current Liabilities	676
Noncurrent Liabilities	
Long-Term Debt	1,496
Regulatory Liabilities	628
Other Deferred Credits and Noncurrent Liabilities	150
Noncurrent Liabilities	2,274
Total Purchase Price (Balance Sheet Net Assets)	\$ 3,822

(a) Amounts represent fair value as of May 25, 2022. The gross contractual amount is \$255 million. Cash flows not expected to be collected as of May 25, 2022 are \$60 million.

Pro Forma Financial Information

The actual RIE Operating Revenues and Net income attributable to PPL included in PPL's Statement of Income for the period ended June 30, 2022, and PPL's unaudited pro forma 2022 and 2021 Operating Revenues and Net Income (Loss) attributable to PPL, including RIE, as if the Acquisition had occurred on January 1, 2021 are as follows.

	Operating Revenues	Net Income (Loss)
Actual RIE results included from May 25, 2022 - June 30, 2022 (a)	\$ 128	\$ (29)
PPL Pro Forma for the six months ended 2022	4,203	456
PPL Pro Forma for the six months ended 2021	3,588	(259)

(a) Net Income (Loss) includes expenses of \$48 million (pre-tax) related to commitments made as a condition of the Acquisition.

The pro forma financial information presented above has been derived from the historical consolidated financial statements of PPL and Narragansett Electric. Non-recurring items included in the 2022 pro forma financial information include: (a) \$18 million (pre-tax) of transaction costs related to the Acquisition, primarily for advisory, accounting and legal fees incurred, (b) \$101 million (pre-tax) of Acquisition integration costs, (c) write-offs of \$43 million (pre-tax) of certain accounts receivable and regulatory assets of RIE and \$5 million (pre-tax) of expenses accrued in support of Rhode Island's decarbonization goals, all of which were conditions of the Acquisition, and (d) the income tax effect of these items, which was tax effected at the statutory federal income tax rate of 21%.

Non-recurring items included in the 2021 pro forma financial information include: (a) \$10 million (pre-tax) of Acquisition integration costs and (b) the income tax effect of this item, which was tax effected at the statutory federal income tax rate of 21%. Losses from the discontinued operations (net of income taxes) of PPL of \$1,488 million in 2021 were excluded from the pro forma amount above.

Discontinued Operations

Sale of the U.K. Utility Business

On June 14, 2021, PPL WPD Limited completed the sale of PPL's utility business to National Grid Holdings One plc (National Grid U.K.), a subsidiary of National Grid plc. The transaction resulted in cash proceeds of \$10.7 billion inclusive of foreign currency hedges executed by PPL. PPL received net proceeds, after taxes and fees, of \$10.4 billion. PPL WPD Limited agreed to indemnify National Grid U.K. for certain tax related matters. See Note 10 for additional information. PPL has not had and will not have any significant involvement with the U.K. utility business since completion of the sale.

Summarized Results of Discontinued Operations

The operations of the U.K. utility business are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statement of Income for the periods ended June 30, 2021 as follows:

	Three Months	Six Months
Operating Revenues	\$ 710	\$ 1,344
Operating Expenses	214	466
Other Income (Expense) - net	136	202
Interest Expense (a)	116	209
Income before income taxes	516	871
Loss on sale	38	(1,609)
Income taxes	(1)	750
Income (Loss) from Discontinued Operations (net of income taxes)	\$ 555	\$ (1,488)

(a) No interest from corporate level debt was allocated to discontinued operations

9. Defined Benefits

(PPL)

Certain net periodic defined benefit costs are applied to accounts that are further distributed among capital, expense, regulatory assets and regulatory liabilities, including certain costs allocated to applicable subsidiaries for plans sponsored by PPL Services and LKE. Following are the net periodic defined benefit costs (credits) of the plans sponsored by PPL and its subsidiaries for the periods ended June 30:

	Pension Benefits			
	Three Months		Six Months	
	2022	2021	2022	2021
PPL				
Service cost	\$ 13	\$ 15	\$ 25	\$ 28
Interest cost	30	29	62	61
Expected return on plan assets	(63)	(66)	(127)	(127)
Amortization of:				
Prior service cost	2	2	4	4
Actuarial loss	17	24	29	49
Net periodic defined benefit costs (credits) before settlements	(1)	4	(7)	15
Settlements (a)	12	—	12	—
Net periodic defined benefit costs (credits)	\$ 11	\$ 4	\$ 5	\$ 15

(a) Due to the amount of lump sum payment distributions from the LKE qualified pension plan, settlement charges were incurred during the three and six months ended June 30, 2022. In accordance with existing regulatory accounting treatment, LG&E and KU have primarily maintained the settlement charge in regulatory assets to be amortized over 15 years.

	Other Postretirement Benefits			
	Three Months		Six Months	
	2022	2021	2022	2021
PPL				
Service cost	\$ 2	\$ 1	\$ 3	\$ 3
Interest cost	4	4	8	8
Expected return on plan assets	(6)	(7)	(12)	(12)
Amortization of:				
Prior service cost	1	1	1	1
Actuarial loss	(2)	—	(2)	—
Net periodic defined benefit costs (credits)	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ (2)</u>	<u>\$ —</u>

(All Registrants)

The non-service cost components of net periodic defined benefit costs (credits) (interest cost, expected return on plan assets, amortization of prior service cost and amortization of actuarial gain and loss) are presented in "Other Income (Expense) - net" on the Statements of Income. See Note 12 for additional information.

10. Commitments and Contingencies

Energy Purchase Commitments (PPL)

RIE has several long-term contracts for the purchase of electric power. Substantially all of these contracts require power to be delivered before RIE is obligated to make payment. Additionally, RIE has entered into various contracts for gas delivery, storage, and supply services. Certain of these contracts require payment of annual demand charges, which are recoverable from customers. RIE is liable for these payments regardless of the level of service required from third-parties.

These contracts include the following commitments:

<u>Contract Type</u>	<u>Maximum Maturity Date</u>
Electric power	2024
Gas-related	Beyond 2027

RIE's commitments under these long-term contracts subsequent to June 30, 2022 are summarized in the table below.

	<u>Total</u>	<u>2022</u>	<u>2023-2024</u>	<u>2025-2026</u>	<u>After 2026</u>
Energy Purchase Obligations	\$ 809	\$ 200	\$ 216	\$ 81	\$ 312

Long-term Contracts for Renewable Energy (PPL)

Several of the obligations included in the table above relate to certain long-term contracts for renewable energy, including:

- the Deepwater Wind Power Purchase Agreement (PPA), involving a proposal for a small scale renewable energy generation project of up to eight offshore wind turbines with an aggregate nameplate capacity of up to 30 MW to benefit the Town of New Shoreham and an underwater cable to Block Island, which entered into service in October 2016;
- the Three-State Procurement, involving eight long-term contracts pursuant to the Rhode Island Long-Term Contracting Standard (LTCS) of which 36.75 MW is currently operational and with respect to which RIE collects 2.75% remunerations in the annual payments pursuant to the LTCS; and
- the Offshore Wind Energy Procurement, pursuant to a 20-year power purchase agreement (PPA) with DWW Rev I, LLC (Revolution Wind), with an expected capacity of 408 MW expected to be operational in 2024; this contract was approved without remuneration, but allows RIE to seek costs incurred under the agreement.

In addition, RIE is obligated under the LTCS (as amended in 2014) to annually solicit for renewable projects until 90 MW of renewable capacity has been secured. To date these solicitations, as approved by the RIPUC, have included: (i) a 15-year PPA with Orbit Energy Rhode Island, LLC for a 3.2 MW anaerobic digester biogas project located in Johnston, Rhode Island, placed in service in 2017, (ii) a 15-year PPA with Black Bear Development Holdings, LLC for a 3.9 MW run-of-river hydroelectric plant located in Orono, Maine, placed in service in 2013, (iii) a 15-year PPA with Champlain Wind, LLC for a 48 MW land-based wind project located in Carroll Plantation and Kossuth Township, Maine, placed in service in January 2017, but which was ultimately terminated and its contribution to the 90 MW total requiring replacement, (iv) a 15-year PPA with Copenhagen Wind Farm, LLC for an 80 MW land-based wind project located in Denmark, New York, placed in service in 2018, and (v) a 20 year PPA with Gravel Pit Solar II, LLC (Gravel Pit Solar) for a 49.5 MW land based bifacial solar project located in East Windsor, CT that was terminated on May 24, 2022. RIE will be required to backfill approximately 3 MW to fulfill the required 90 MW under LTCS.

In addition to the LTCS, in July 2022, Rhode Island passed an amendment to the Affordable Clean Energy Security Act (ACES) that requires RIE to issue a request for proposals (RFP) for at least 600 MW but no greater than 1,000 MW of newly developed offshore wind capacity no later than October 15, 2022. RIE must file the RFP with the RIPUC for public comment 30 days in advance. RIE must negotiate in good faith to achieve a commercially reasonable contract and must file said contract with the RIPUC for approval no later than March 15, 2024, unless RIE can show that the bids are unlikely to lead to a contract that meets all of the statutory requirements.

As approved by the RIPUC, RIE is allowed to pass through commodity-related/purchased power costs to customers and collect remuneration equal to 2.75% for long-term contracts approved pursuant to LTCS that have achieved commercial operation. For long-term contracts approved pursuant to ACES, as amended, on or after January 1, 2022, RIE is entitled to financial remuneration equal to 1.0% through December 31, 2026 for those projects that are commercially operating. For long-term contracts approved pursuant to ACES on or after January 1, 2027, RIE is not entitled to any financial remuneration, unless otherwise granted by the RIPUC. Also, the amendments to ACES added a provision, which provides that for any calendar year in which RIE's actual return on equity exceeds the return on equity allowed by the RIPUC in the last general rate case, the RIPUC may adjust any or all remuneration to assure that such remuneration does not result in or contribute toward RIE earning above its allowed return for such calendar year.

Legal Matters

(All Registrants)

PPL and its subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business. PPL and its subsidiaries cannot predict the outcome of such matters, or whether such matters may result in material liabilities, unless otherwise noted.

Talen Litigation

(PPL)

Background

In September 2013, one of PPL's former subsidiaries, PPL Montana entered into an agreement to sell its hydroelectric generating facilities. In June 2014, PPL and PPL Energy Supply, the parent company of PPL Montana, entered into various definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and ultimately combine it with Riverstone's competitive power generation businesses to form a stand-alone company named Talen Energy. In November 2014, after executing the spinoff agreements but prior to the closing of the spinoff transaction, PPL Montana closed the sale of its hydroelectric generating facilities. Subsequently, on June 1, 2015, the spinoff of PPL Energy Supply was completed. Following the spinoff transaction, PPL had no continuing ownership interest in or control of PPL Energy Supply. In connection with the spinoff transaction, PPL Montana became Talen Montana, LLC (Talen Montana), a subsidiary of Talen Energy. Talen Energy Marketing also became a subsidiary of Talen Energy as a result of the June 2015 spinoff of PPL Energy Supply. Talen Energy has owned and operated both Talen Montana and Talen Energy Marketing since the spinoff. At the time of the spinoff, affiliates of Riverstone acquired a 35% ownership interest in Talen Energy. Riverstone subsequently acquired the remaining interests in Talen Energy in a take private transaction in December 2016.

Talen Montana Retirement Plan and Talen Energy Marketing, LLC, Individually and on Behalf of All Others Similarly Situated v. PPL Corporation et al.

On October 29, 2018, Talen Montana Retirement Plan and Talen Energy Marketing filed a putative class action complaint on behalf of current and contingent creditors of Talen Montana who allegedly suffered harm or allegedly will suffer reasonably foreseeable harm as a result of a November 2014 distribution of proceeds from the sale of then-PPL Montana's hydroelectric generating facilities. The action was filed in the Sixteenth Judicial District of the State of Montana, Rosebud County, against PPL and certain of its affiliates and current and former officers and directors (Talen Putative Class Action). Plaintiff asserts claims for, among other things, fraudulent transfer, both actual and constructive; recovery against subsequent transferees; civil conspiracy; aiding and abetting tortious conduct; and unjust enrichment. Plaintiff is seeking avoidance of the purportedly fraudulent transfer, unspecified damages, including punitive damages, the imposition of a constructive trust, and other relief. In December 2018, PPL removed the Talen Putative Class Action from the Sixteenth Judicial District of the State of Montana to the United States District Court for the District of Montana, Billings Division (MT Federal Court). In January 2019, the plaintiff moved to remand the Talen Putative Class Action back to state court, and dismissed without prejudice all current and former PPL Corporation directors from the case. In September 2019, the MT Federal Court granted plaintiff's motion to remand the case back to state court. Although, the PPL defendants petitioned the Ninth Circuit Court of Appeals to grant an appeal of the remand decision, in November 2019, the Ninth Circuit Court of Appeals denied that request and in December 2019, Talen Montana Retirement Plan filed a Second Amended Complaint in the Sixteenth Judicial District of the State of Montana, Rosebud County, which removed Talen Energy Marketing as a plaintiff. In January 2020, PPL defendants filed a motion to dismiss the Second Amended Complaint or, in the alternative, to stay the proceedings pending the resolution of the below mentioned Delaware Action. The Court held a hearing on June 24, 2020 regarding the motions. On September 11, 2020, the Court granted PPL defendants' alternative Motion for a Stay of the proceedings. As described below, this case will now proceed in the United States Bankruptcy Court for the Southern District of Texas (Texas Bankruptcy Court).

PPL Corporation et al. vs. Riverstone Holdings LLC, Talen Energy Corporation et al.

On November 30, 2018, PPL, certain PPL affiliates, and certain current and former officers and directors (PPL plaintiffs) filed a complaint in the Court of Chancery of the State of Delaware seeking various forms of relief against Riverstone, Talen Energy and certain of their affiliates (Delaware Action), in response to and as part of the defense strategy for an action filed by Talen Montana, LLC (the Talen Direct Action, since dismissed) and the Talen Putative Class Action described above (together, the Montana Actions) originally filed in Montana state court in October 2018. In the complaint, the PPL plaintiffs ask the Delaware Court of Chancery for declaratory and injunctive relief. This includes a declaratory judgment that, under the separation agreement governing the spinoff of PPL Energy Supply, all related claims that arise must be heard in Delaware; that the statute of limitations in Delaware and the spinoff agreement bar these claims at this time; that PPL is not liable for the claims in either the Talen Direct Action or the Talen Putative Class Action as PPL Montana was solvent at all relevant times; and that the separation agreement requires that Talen Energy indemnify PPL for all losses arising from the debts of Talen Montana, among other things. PPL's complaint also seeks damages against Riverstone for interfering with the separation agreement and against Riverstone affiliates for breach of the implied covenant of good faith and fair dealing. The complaint was subsequently

amended on January 11, 2019 and March 20, 2019, to include, among other things, claims related to indemnification with respect to the Montana Actions, request a declaration that the Montana Actions are time-barred under the spinoff agreements, and allege additional facts to support the tortious interference claim. In April 2019, the defendants filed motions to dismiss the amended complaint. In July 2019, the Court heard oral arguments from the parties regarding the motions to dismiss, and in October 2019, the Delaware Court of Chancery issued an opinion sustaining all of the PPL plaintiffs' claims except for the claim for breach of implied covenant of good faith and fair dealing. As a result of the dismissal of the Talen Direct Action in December 2019, in January 2020, Talen Energy filed a new motion to dismiss five of the remaining eight claims in the amended complaint. The Court heard oral argument on Talen's motion to dismiss on May 28, 2020, and on June 22, 2020, issued an opinion denying the motion in its entirety. Discovery is proceeding, and the parties have filed certain motions and cross-motions for summary judgment, which are not yet scheduled for hearing.

In January 2022, Vice-Chancellor Joseph R. Slight III, the judge assigned to this litigation, announced his retirement. Thereafter, this case was removed from the trial schedule and is awaiting the assignment of a new judge. As described below, this case will now proceed in the Texas Bankruptcy Court.

Talen Energy Supply, LLC et al. | Talen Montana LLC v. PPL Corp., PPL Capital Funding, Inc., PPL Electric Utilities Corp., and PPL Energy Funding (PPL and PPL Electric)

On May 9, 2022, Talen Energy Supply, LLC and 71 affiliates, including Talen Montana, LLC, filed petitions for protection under Chapter 11 of the Bankruptcy Code in the Texas Bankruptcy Court.

On May 10, 2022, Talen Montana, LLC, as debtor-in-possession, filed a complaint initiating an adversary proceeding (Adversary Proceeding) in the Texas Bankruptcy Court against PPL Corporation, PPL Capital Funding, Inc., PPL Electric Utilities Corporation, and PPL Energy Funding Corporation. Similar to the litigation in Montana, the Adversary Proceeding seeks the recovery of an allegedly fraudulent transfer relating to PPL Montana's November 2014 sale of hydroelectric assets to Northwestern and subsequent distribution of certain proceeds of that sale, reiterating claims that the parties have already been litigating.

Also on May 10, 2022, certain Talen entities sought to remove both (1) the Montana action previously referred to as the Rosebud class action from state court to a federal district court in Montana (Montana District Court) and (2) the Delaware action to a federal district court in Delaware (Delaware District Court). Talen Montana, LLC then filed a motion to intervene and a motion to transfer the Montana case to the Texas Bankruptcy Court. Talen also filed a Motion to transfer the Delaware District Court action to the Texas Bankruptcy Court. Plaintiffs will seek to consolidate the Rosebud Class action and Delaware action in the Texas Bankruptcy Court.

With respect to each of the Talen-related matters described above, PPL believes that the 2014 distribution of proceeds was made in compliance with all applicable laws and that PPL Montana was solvent at all relevant times. Additionally, the agreements entered into in connection with the spinoff, which PPL and affiliates of Talen Energy and Riverstone negotiated and executed prior to the 2014 distribution, directly address the treatment of the proceeds from the sale of PPL Montana's hydroelectric generating facilities; in those agreements, Talen Energy and Riverstone definitively agreed that PPL was entitled to retain the proceeds.

PPL believes that it has meritorious defenses to the claims made in the Adversary Proceeding and intends to vigorously defend against this action. At this time, PPL cannot predict the outcome of the Adversary Proceeding or estimate the range of possible losses, if any, that PPL might incur as a result of the claims, although they could be material.

Narragansett Electric Litigation (PPL)

Aquidneck Island

In January 2019, Narragansett Electric suffered a significant loss of gas supply to the distribution system that serves customers on Aquidneck Island in Rhode Island, affecting approximately 7,500 customers. Following Narragansett Electric's efforts to address customer concerns and expenses following the incident, and an investigation by the Rhode Island Division of Public Utilities and Carriers, Narragansett Electric published a long-term capacity study for energy solutions for Aquidneck Island and gathered extensive stakeholder feedback. Narragansett Electric continues to discuss this matter with the Rhode Island Division of Public Utilities and Carriers. Narragansett Electric filed a supplemental application for its long-term solution on April 1, 2022.

Narragansett Electric is facing various lawsuits related to the Aquidneck Island gas supply interruption, including two purported class actions. Narragansett Electric is actively defending against these claims. This matter is covered by excess liability insurance, which is currently reimbursing RIE for ongoing costs and claim amounts, subject to reservation of rights, and is not expected to materially affect RIE's results of operations, financial position or cash flows.

Energy Efficiency Programs Investigation

Narragansett Electric, while under the ownership of National Grid, performed an internal investigation into conduct associated with its energy efficiency programs. Any adjustments that may be a result of the internal investigation remain subject to review and approval by the RIPUC. At this time, it is not possible to predict the final outcome or determine the total amount of any additional liabilities that may be incurred in connection with it by Narragansett Electric. This review by the RIPUC may be impacted by other investigations that are ongoing related to National Grid. Narragansett Electric does not expect this matter will have a material adverse effect on its results of operations, financial position or cash flows.

On June 27, 2022, the RIPUC opened a new docket (RIPUC Docket 22-05-EE) to investigate RIE's actions and the actions of its National Grid employees during the time RIE was a National Grid USA affiliate being provided services by National Grid USA Service Company, Inc. relating to the manipulation of the reporting of invoices affecting the calculation of past energy efficiency shareholder incentives and the resulting impact on customers.

E.W. Brown Environmental Assessment (PPL and KU)

KU is undertaking extensive remedial measures at the E.W. Brown plant including closure of the former ash pond, implementation of a groundwater remedial action plan and performance of a corrective action plan including aquatic study of adjacent surface waters and risk assessment. The aquatic study and risk assessment are being undertaken pursuant to a 2017 agreed Order with the Kentucky Energy and Environment Cabinet (KEEC). KU conducted sampling of Herrington Lake in 2017 and 2018. In June 2019, KU submitted to the KEEC the required aquatic study and risk assessment, conducted by an independent third-party consultant, finding that discharges from the E.W. Brown plant have not had any significant impact on Herrington Lake and that the water in the lake is safe for recreational use and meets safe drinking water standards. On May 31, 2021, the KEEC approved the report and released a response to public comments. On August 6, 2021, KU submitted a Supplemental Remedial Alternatives Analysis report to the KEEC that outlines proposed additional fish, water, and sediment testing. On February 18, 2022, the KEEC provided approval to KU to proceed with the proposed sampling, which commenced in the spring of 2022.

Air (PPL and LG&E)

Sulfuric Acid Mist Emissions

In June 2016, the EPA issued a notice of violation under the Clean Air Act alleging that LG&E violated applicable rules relating to sulfuric acid mist emissions at its Mill Creek plant. The notice alleges failure to install proper controls, failure to operate the facility consistent with good air pollution control practice and causing emissions exceeding applicable requirements or constituting a nuisance or endangerment. LG&E believes it has complied with applicable regulations during the relevant time period. On July 31, 2020, the U.S. Department of Justice and Louisville Metro Air Pollution Control District filed a complaint in the U.S. District Court for the Western District of Kentucky alleging violations specified in the EPA notice of violation and seeking civil penalties and injunctive relief. In October 2020, LG&E filed a motion to dismiss the complaint. In December 2020, the U.S. Department of Justice and the Louisville Metro Air Pollution Control District filed an amended complaint. In February 2021, LG&E filed a renewed motion to dismiss regarding the amended complaint. On February 23, 2022, the court entered a Consent Decree negotiated by the parties to resolve the violations alleged in the complaint. The Consent Decree requires LG&E to pay a civil penalty and perform a supplemental environmental project (SEP). The agreed penalty and SEP do not have a significant impact on LG&E's operations or financial condition.

Water/Waste (PPL, LG&E and KU)

ELGs

In 2015, the EPA finalized ELGs for wastewater discharge permits for new and existing steam electricity generating facilities. These guidelines require deployment of additional control technologies providing physical, chemical and biological treatment and mandate operational changes including "no discharge" requirements for certain wastewaters. The implementation date for

individual generating stations was to be determined by the states on a case-by-case basis according to criteria provided by the EPA. Legal challenges to the final rule were consolidated before the U.S. Court of Appeals for the Fifth Circuit. In April 2017, the EPA announced that it would grant petitions for reconsideration of the rule. In September 2017, the EPA issued a rule to postpone the compliance date for certain requirements. On October 13, 2020, the EPA published final revisions to its best available technology standards for certain wastewaters and potential extensions to compliance dates (the Reconsideration Rule). The rule is expected to be implemented by the states or applicable permitting authorities in the course of their normal permitting activities. LG&E and KU are currently implementing responsive compliance strategies and schedules. Certain aspects of these compliance plans and estimates relate to developments in state water quality standards, which are separate from the ELG rule or its implementation. Certain costs are included in the Registrants' capital plans and expected to be recovered from customers through rate recovery mechanisms, but additional costs and recovery will depend on further regulatory developments at the state level. In August 2021, the EPA published a notice of rulemaking initiative announcing that it will propose revisions to the Reconsideration Rule and determine "whether more stringent limitations and standards are appropriate." Compliance with the Reconsideration Rule is required during the pendency of the rulemaking process.

CCRs

In 2015, the EPA issued a final rule governing management of CCRs which include fly ash, bottom ash and sulfur dioxide scrubber wastes. The CCR Rule imposes extensive new requirements for certain CCR impoundments and landfills, including public notifications, location restrictions, design and operating standards, groundwater monitoring and corrective action requirements, and closure and post-closure care requirements, and specifies restrictions relating to the beneficial use of CCRs. In July 2018, the EPA issued a final rule extending the deadline for closure of certain impoundments and adopting other substantive changes. In August 2018, the D.C. Circuit Court of Appeals vacated and remanded portions of the CCR Rule. In December 2019, the EPA addressed the deficiencies identified by the court and proposed amendments to change the closure deadline. In August 2020, the EPA published a final rule extending the deadline to initiate closure to April 11, 2021, while providing for certain extensions. The EPA is conducting ongoing rulemaking actions regarding various other amendments to the rule. Certain ongoing legal challenges to various provisions of the CCR Rule have been held in abeyance pending review by the EPA pursuant to the President's executive order. PPL, LG&E, and KU are monitoring the EPA's ongoing efforts to refine and implement the regulatory program under the CCR Rule. The EPA has issued several recent proposed regulatory determinations, facility notifications and public announcements which indicate increased scrutiny by the EPA to determine the adequacy of measures taken by facility owners and operators to achieve closure of CCR surface impoundments and landfills. In particular, the agency indicated that it will focus on certain practices that it views as posing a threat of continuing groundwater contamination. Future guidance, regulatory determinations, rulemakings and other developments could potentially require revisions to current LG&E and KU compliance plans including additional monitoring and remediation at surface impoundments and landfills, the cost of which could be substantial. PPL, LG&E and KU are unable to predict the outcome of the ongoing litigation, rulemaking, and regulatory determinations or potential impacts on current LG&E and KU compliance plans. The Registrants are currently finalizing closure plans and schedules.

In January 2017, Kentucky issued a new state rule relating to CCR management, effective May 2017, aimed at reflecting the requirements of the federal CCR rule. As a result of a subsequent legal challenge, in January 2018, the Franklin County, Kentucky Circuit Court issued an opinion invalidating certain procedural elements of the rule. LG&E and KU presently operate their facilities under continuing permits authorized under the former program and do not currently anticipate material impacts as a result of the judicial ruling. Associated costs are expected to be subject to rate recovery.

LG&E and KU received KPSC approval for a compliance plan providing for the closure of impoundments at the Mill Creek, Trimble County, E.W. Brown, and Ghent stations, and construction of process water management facilities at those plants. In addition to the foregoing measures required for compliance with the federal CCR rule, KU also received KPSC approval for its plans to close impoundments at the retired Green River, Pineville and Tyrone plants to comply with applicable state law. LG&E and KU have completed planned closure measures at most of the subject impoundments and have commenced post closure groundwater monitoring as required at those facilities. LG&E and KU generally expect to complete all impoundment closures within five years of commencement, although a longer period may be required to complete closure of some facilities. Associated costs are expected to be subject to rate recovery.

In connection with the final CCR rule, LG&E and KU recorded adjustments to existing AROs beginning in 2015 and continue to record adjustments as required. See Note 15 for additional information. Further changes to AROs, current capital plans or operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results, and regulatory or legal proceedings. Costs relating to this rule are expected to be subject to rate recovery.

Superfund and Other Remediation *(All Registrants)*

PPL, PPL Electric, LG&E and KU are potentially responsible for investigating and remediating contamination under the federal Superfund program and similar state programs. Actions are under way at certain sites including former coal gas manufacturing plants in Pennsylvania and Kentucky previously owned or operated by, or currently owned by predecessors or affiliates of, PPL Electric, LG&E and KU. PPL Electric is potentially responsible for a share of clean-up costs at certain sites including the Columbia Gas Plant site and the Brodhead site. Cleanup actions have been or are being undertaken at these sites as requested by governmental agencies, the costs of which have not been and are not expected to be significant to PPL Electric.

As of June 30, 2022 and December 31, 2021, PPL Electric had a recorded liability of \$10 million representing its best estimate of the probable loss incurred to remediate the sites identified above. Depending on the outcome of investigations at identified sites where investigations have not begun or been completed, or developments at sites for which information is incomplete, additional costs of remediation could be incurred. PPL Electric, LG&E and KU lack sufficient information about such additional sites to estimate any potential liability or range of reasonably possible losses, if any, related to these sites. Such costs, however, are not currently expected to be significant.

The EPA is evaluating the risks associated with polycyclic aromatic hydrocarbons and naphthalene, chemical by-products of coal gas manufacturing. As a result, individual states may establish stricter standards for water quality and soil cleanup, that could require several PPL subsidiaries to take more extensive assessment and remedial actions at former coal gas manufacturing plants. The Registrants cannot reasonably estimate a range of possible losses, if any, related to these matters.

Narragansett Electric

The EPA, the Massachusetts Department of Environmental Protection (MADEP), and the Rhode Island Department of Environmental Management (DEM) have alleged that Narragansett Electric is a potentially responsible party under state or federal law for the remediation of a number of sites at which hazardous substances are alleged to have been disposed. Narragansett Electric's most significant liabilities relate to former manufactured gas plant (MGP) facilities formerly owned by the Blackstone Valley Gas and Electric Company and the Rhode Island gas distribution assets of the New England Gas division of Southern Union Company and electric operations at certain Narragansett Electric facilities. Narragansett Electric is currently investigating and remediating, as necessary, those MGP sites and certain other properties under agreements with the EPA, DEM and MADEP. Expenditures incurred for the six months ended June 30, 2022 were \$7 million.

Narragansett Electric estimated the remaining costs of environmental remediation activities were \$101 million as of June 30, 2022. Narragansett Electric had a current portion of environmental remediation costs of \$8 million included in current liabilities on the Balance Sheets at June 30, 2022. These undiscounted costs are expected to be incurred over approximately 30 years, and these undiscounted amounts have been recorded as estimated liabilities on the balance sheet. However, remediation costs for each site may be materially higher than estimated, depending on changing technologies and regulatory standards, selected end uses for each site, and actual environmental conditions encountered. Narragansett Electric has recovered amounts from certain insurers and potentially responsible parties, and, where appropriate, Narragansett Electric may seek additional recovery from other insurers and from other potentially responsible parties, but it is uncertain whether, and to what extent, such efforts will be successful.

The RIPUC has approved two settlement agreements that provides for rate recovery of qualified remediation costs of certain contaminated sites located in Rhode Island and Massachusetts. Rate-recoverable contributions for electric operations of approximately \$3 million are added annually to the fund, along with interest and any recoveries from insurance carriers and other third-parties. In addition, Narragansett Electric recovers approximately \$1 million annually for gas operations under a Distribution Adjustment Charge in which the qualified remediation costs are amortized over 10 years. See Note 6 for additional information on RIE's recorded environmental regulatory assets and liabilities.

Narragansett Electric believes that its ongoing operations and approach to addressing conditions at historical sites are in substantial compliance with all applicable environmental laws. Where Narragansett Electric has regulatory recovery, it believes that the obligations imposed on it because of the environmental laws will not have a material impact on PPL's results of operations or financial position.

Regulatory Issues

(All Registrants)

See Note 6 for information on regulatory matters related to utility rate regulation.

Electricity - Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk electric system in North America. The FERC oversees this process and independently enforces the Reliability Standards.

The Reliability Standards have the force and effect of law and apply to certain users of the bulk electric system, including electric utility companies, generators and marketers. Under the Federal Power Act, the FERC may assess civil penalties for certain violations.

PPL Electric, LG&E, KU, and RIE monitor their compliance with the Reliability Standards and self-report or self-log potential violations of applicable reliability requirements whenever identified, and submit accompanying mitigation plans, as required. The resolution of a small number of potential violations is pending. Penalties incurred to date have not been significant. Any Regional Reliability Entity determination concerning the resolution of violations of the Reliability Standards remains subject to the approval of the NERC and the FERC.

In the course of implementing their programs to ensure compliance with the Reliability Standards by those PPL affiliates subject to the standards, certain other instances of potential non-compliance may be identified from time to time. The Registrants cannot predict the outcome of these matters, and an estimate or range of possible losses cannot be determined.

Gas - Security Directives *(PPL and LG&E)*

In May and July of 2021, the Department of Homeland Security's (DHS) Transportation Security Administration (TSA) released two security directives applicable to certain notified owners and operators of natural gas pipeline facilities (including local distribution companies) that TSA has determined to be critical. The first security directive required notified owners/operators to implement cybersecurity incident reporting to the DHS, designate a cybersecurity coordinator, and perform a gap assessment of current entity cybersecurity practices against certain voluntary TSA security guidelines and report relevant results and proposed mitigation to applicable DHS agencies. The second security directive required notified entities to implement a significant number of specified cybersecurity controls and processes. LG&E does not believe the security directives will have a significant impact on LG&E's operations or financial condition.

Other

Guarantees and Other Assurances

(All Registrants)

In the normal course of business, the Registrants enter into agreements that provide financial performance assurance to third-parties on behalf of certain subsidiaries. Such agreements include, for example, guarantees, stand-by letters of credit issued by financial institutions and surety bonds issued by insurance companies. These agreements are entered into primarily to support or enhance the creditworthiness attributed to a subsidiary on a stand-alone basis or to facilitate the commercial activities in which these subsidiaries engage.

(PPL)

PPL fully and unconditionally guarantees all of the debt securities and loan obligations of PPL Capital Funding.

(All Registrants)

The table below details guarantees provided as of June 30, 2022. "Exposure" represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee. The probability of expected payment/performance under each of these guarantees is remote. For reporting purposes, on a consolidated basis, the guarantees of PPL include the guarantees of its subsidiary Registrants.

	Exposure at June 30, 2022	Expiration Date
PPL		
Indemnifications related to certain tax liabilities related to the sale of the U.K. utility business	£ 50 (a)	2028
LG&E and KU		
LG&E and KU obligation of shortfall related to OVEC	(b)	

- (a) PPL WPD Limited entered into a Tax Deed dated June 9, 2021 in which it agreed to a tax indemnity regarding certain potential tax liabilities of the entities sold with respect to periods prior to the completion of the sale, subject to customary exclusions and limitations. Because National Grid Holdings One plc, the buyer, agreed to purchase indemnity insurance, the amount of the cap on the indemnity for these liabilities is £1, except with respect to certain surrenders of tax losses, for which the amount of the cap on the indemnity is £50 million.
- (b) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts included within a demand charge designed and expected to cover these costs over the term of the contract. PPL's proportionate share of OVEC's outstanding debt was \$89 million at June 30, 2022, consisting of LG&E's share of \$62 million and KU's share of \$27 million. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" in Note 14 in PPL's, LG&E's and KU's 2021 Form 10-K for additional information on the OVEC power purchase contract.

The Registrants provide other miscellaneous guarantees through contracts entered into in the normal course of business. These guarantees are primarily in the form of indemnification or warranties related to services or equipment and vary in duration. The amounts of these guarantees often are not explicitly stated, and the overall maximum amount of the obligation under such guarantees cannot be reasonably estimated. Historically, no significant payments have been made with respect to these types of guarantees and the probability of payment/performance under these guarantees is generally remote.

PPL, on behalf of itself and certain of its subsidiaries, maintains insurance that covers liability assumed under contract for bodily injury and property damage. The coverage provides maximum aggregate coverage of \$225 million. This insurance may be applicable to obligations under certain of these contractual arrangements.

11. Related Party Transactions

Support Costs (PPL Electric, LG&E and KU)

PPL Services and LKS provide and, prior to its merger into PPL Services on December 31, 2021, PPL EU Services provided the Registrants, their respective subsidiaries and each other with administrative, management and support services. For all services companies, the costs of directly assignable and attributable services are charged to the respective recipients as direct support costs. General costs that cannot be directly attributed to a specific entity are allocated and charged to the respective recipients as indirect support costs. PPL Services and PPL EU Services use a three-factor methodology that includes the applicable recipients' invested capital, operation and maintenance expenses and number of employees to allocate indirect costs. PPL Services may also use a ratio of overall direct and indirect costs or a weighted average cost ratio. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information. PPL Services, LKS and PPL EU Services charged the following amounts for the periods ended June 30, including amounts applied to accounts that are further distributed between capital and expense on the books of the recipients, based on methods that are believed to be reasonable.

	Three Months		Six Months	
	2022	2021	2022	2021
PPL Electric from PPL Services	\$ 60	\$ 11	\$ 121	\$ 21
PPL Electric from PPL EU Services	—	49	—	99
LG&E from LKS	41	44	80	86
KU from LKS	42	45	86	89

In addition to the charges for services noted above, LKS makes payments on behalf of LG&E and KU for fuel purchases and other costs for products or services provided by third-parties. LG&E and KU also provide services to each other and to LKS. Billings between LG&E and KU relate to labor and overheads associated with union and hourly employees performing work for the other company, charges related to jointly-owned generating units and other miscellaneous charges. Tax settlements between PPL and LG&E and KU are reimbursed through LKS.

Intercompany Borrowings

(PPL Electric)

PPL Energy Funding maintains a \$1,200 million revolving line of credit with a PPL Electric subsidiary. At June 30, 2022 and December 31, 2021, PPL Energy Funding had borrowings outstanding in the amount of \$166 million and \$499 million. These balances are reflected in "Notes receivable from affiliate" on the PPL Electric Balance Sheets. The interest rates on borrowings are equal to one-month LIBOR plus a spread. Interest income is reflected in "Interest Income from Affiliate" on the PPL Electric Income Statements.

(LG&E and KU)

LG&E participates in an intercompany money pool agreement whereby LKE and/or KU make available to LG&E funds up to the difference between LG&E's FERC borrowing limit and LG&E's commercial paper issued at an interest rate based on the lower of a market index of commercial paper issues and two additional rate options based on LIBOR. LG&E's money pool borrowing limit is \$356 million. At December 31, 2021, LG&E had borrowings outstanding from KU and/or LKE in the amount of \$324 million. This balance is reflected in "Notes payable to affiliates" on the LG&E Balance Sheets. No balances were outstanding at June 30, 2022.

KU participates in an intercompany money pool agreement whereby LKE and/or LG&E make available to KU funds up to the difference between KU's FERC borrowing limit and KU's commercial paper issued at an interest rate based on the lower of a market index of commercial paper issues and two additional rate options based on LIBOR. KU's money pool borrowing limit is \$312 million. At December 31, 2021, KU had borrowings outstanding from LG&E and/or LKE in the amount of \$294 million. This balance is reflected in "Notes payable to affiliates" on the KU Balance Sheets. No balances were outstanding at June 30, 2022.

VEBA Funds Receivable *(PPL Electric)*

In 2018, PPL received a favorable private letter ruling from the IRS permitting a transfer of excess funds from the PPL Bargaining Unit Retiree Health Plan VEBA to a new subaccount within the VEBA, to be used to pay medical claims of active bargaining unit employees. Based on PPL Electric's participation in PPL's Other Postretirement Benefit plan, PPL Electric was allocated a portion of the excess funds from PPL Services. These funds have been recorded as an intercompany receivable on PPL Electric's Balance Sheets. The receivable balance decreases as PPL Electric pays incurred medical claims and is reimbursed by PPL Services. The intercompany receivable balance associated with these funds was \$5 million as of June 30, 2022, which was reflected in "Accounts receivable from affiliates" on the PPL Electric Balance Sheets. The intercompany receivable balance associated with these funds was \$11 million as of December 31, 2021, the majority of which was reflected in "Accounts receivable from affiliates" on the PPL Electric Balance Sheets.

12. Other Income (Expense) - net

(PPL)

The details of "Other Income (Expense) - net" for the periods ended June 30, were:

	Three Months		Six Months	
	2022	2021	2022	2021
Other Income				
Defined benefit plans - non-service credits (Note 9)	\$ 9	\$ 8	\$ 20	\$ 12
Interest income	(1)	4	(2)	4
AFUDC - equity component	6	5	10	9
Miscellaneous	3	5	4	5
Total Other Income	17	22	32	30
Other Expense				
Charitable contributions	1	1	2	2
Miscellaneous (a)	(10)	8	4	15
Total Other Expense	(9)	9	6	17
Other Income (Expense) - net	\$ 26	\$ 13	\$ 26	\$ 13

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(a) Includes legal expenses incurred and insurance reimbursements received related to litigation with a former affiliate, Talen Montana. See Note 10 for additional information.

(PPL Electric)

The details of "Other Income (Expense) - net" for the periods ended June 30, were:

	Three Months		Six Months	
	2022	2021	2022	2021
Other Income				
Defined benefit plans - non-service credits (Note 9)	\$ 4	\$ 2	\$ 8	\$ 4
Interest income	—	—	1	—
AFUDC - equity component	4	4	8	9
Total Other Income	8	6	17	13
Other Expense				
Charitable contributions	—	—	2	1
Miscellaneous	1	1	2	2
Total Other Expense	1	1	4	3
Other Income (Expense) - net	\$ 7	\$ 5	\$ 13	\$ 10

13. Fair Value Measurements

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models) and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. See Note 1 in each Registrant's 2021 Form 10-K for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	June 30, 2022				December 31, 2021			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	\$ 336	\$ 336	\$ —	\$ —	\$ 3,571	\$ 3,571	\$ —	\$ —
Restricted cash and cash equivalents (a)	1	1	—	—	1	1	—	—
Total Cash, Cash Equivalents and Restricted Cash (b)	337	337	—	—	3,572	3,572	—	—
Special use funds (a):								
Money market fund	—	—	—	—	2	2	—	—
Commingled debt fund measured at NAV (c)	16	—	—	—	22	—	—	—
Commingled equity fund measured at NAV (c)	16	—	—	—	21	—	—	—
Total special use funds	32	—	—	—	45	2	—	—
Price risk management assets (d):								
Gas contracts	59	—	59	—	—	—	—	—
Total assets	\$ 428	\$ 337	\$ 59	\$ —	\$ 3,617	\$ 3,574	\$ —	\$ —

	June 30, 2022				December 31, 2021			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Liabilities								
Price risk management liabilities (d):								
Interest rate swaps	\$ 10	\$ —	\$ 10	\$ —	\$ 18	\$ —	\$ 18	\$ —
Gas contracts	4	—	4	—	—	—	—	—
Total price risk management liabilities	\$ 14	\$ —	\$ 14	\$ —	\$ 18	\$ —	\$ 18	\$ —
PPL Electric								
Assets								
Cash and cash equivalents	\$ 29	\$ 29	\$ —	\$ —	\$ 21	\$ 21	\$ —	\$ —
Total assets	\$ 29	\$ 29	\$ —	\$ —	\$ 21	\$ 21	\$ —	\$ —
LG&E								
Assets								
Cash and cash equivalents	\$ 18	\$ 18	\$ —	\$ —	\$ 9	\$ 9	\$ —	\$ —
Total assets	\$ 18	\$ 18	\$ —	\$ —	\$ 9	\$ 9	\$ —	\$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	\$ 10	\$ —	\$ 10	\$ —	\$ 18	\$ —	\$ 18	\$ —
Total price risk management liabilities	\$ 10	\$ —	\$ 10	\$ —	\$ 18	\$ —	\$ 18	\$ —
KU								
Assets								
Cash and cash equivalents	\$ 17	\$ 17	\$ —	\$ —	\$ 13	\$ 13	\$ —	\$ —
Total assets	\$ 17	\$ 17	\$ —	\$ —	\$ 13	\$ 13	\$ —	\$ —

- (a) Included in "Other current assets" on the Balance Sheets.
- (b) Total Cash, Cash Equivalents and Restricted Cash provides a reconciliation of these items reported within the Balance Sheets to the sum shown on the Statements of Cash Flows.
- (c) In accordance with accounting guidance, certain investments that are measured at fair value using net asset value per share (NAV), or its equivalent, have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Balance Sheets.
- (d) Current portion is included in "Other current asset" and "Other current liabilities" and noncurrent portion is included in "Other noncurrent assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.

Special Use Funds

(PPL)

The special use funds are investments restricted for paying active union employee medical costs. In 2018, PPL received a favorable private letter ruling from the IRS permitting a transfer of excess funds from the PPL Bargaining Unit Retiree Health Plan VEBA to a new subaccount within the VEBA to be used to pay medical claims of active bargaining unit employees. The funds are invested primarily in commingled debt and equity funds measured at NAV and are classified as investments in equity securities. Changes in the fair value of the funds are recorded to the Statements of Income.

Price Risk Management Assets/Liabilities

Interest Rate Swaps (PPL, LG&E and KU)

To manage interest rate risk, PPL, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed swaps and fixed-to-floating swaps. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practicably be obtained to value credit risk and therefore internal models are relied upon. These models use projected probabilities of default and estimated

recovery rates based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3.

Gas Contracts (PPL)

To manage gas commodity price risk associated with natural gas purchases, RIE utilizes over-the-counter (OTC) gas swaps contracts with pricing inputs obtained from the New York Mercantile Exchange (NYMEX) and the Intercontinental Exchange (ICE), except in cases where the ICE publishes seasonal averages or where there were no transactions within the last seven days. RIE may utilize discounting based on quoted interest rate curves, including consideration of non-performance risk, and may include a liquidity reserve calculated based on bid/ask spread. Substantially all of these price curves are observable in the marketplace throughout at least 95% of the remaining contractual quantity, or they could be constructed from market observable curves with correlation coefficients of 95% or higher. These contracts are classified as Level 2.

RIE also utilizes gas option and purchase and capacity transactions, which are valued based on internally developed models. Industry-standard valuation techniques, such as the Black-Scholes pricing model, are used for valuing such instruments. For valuations that include both observable and unobservable inputs, if the unobservable input is determined to be significant to the overall inputs, the entire valuation is categorized in Level 3. This includes derivative instruments valued using indicative price quotations whose contract tenure extends into unobservable periods. In instances where observable data is unavailable, consideration is given to the assumptions that market participants would use in valuing the asset or liability. This includes assumptions about market risks such as liquidity, volatility, and contract duration. Such instruments are categorized in Level 3 as the model inputs generally are not observable. RIE considers non-performance risk and liquidity risk in the valuation of derivative instruments categorized in Level 2 and Level 3.

Financial Instruments Not Recorded at Fair Value (All Registrants)

Long-term debt is classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement. The carrying amounts of long-term debt on the Balance Sheets and their estimated fair values are set forth below.

	June 30, 2022		December 31, 2021	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	\$ 12,654	\$ 12,110	\$ 11,140	\$ 12,955
PPL Electric	4,486	4,436	4,484	5,272
LG&E	2,007	1,914	2,006	2,363
KU	2,619	2,458	2,618	3,120

(a) Amounts are net of debt issuance costs.

The carrying amounts of other current financial instruments (except for long-term debt due within one year) approximate their fair values because of their short-term nature.

14. Derivative Instruments and Hedging Activities

(All Registrants)

Risk Management Objectives

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The Risk Management Committee, comprised of senior management and chaired by the Senior Director-Risk Management, oversees the risk management function. Key risk control activities designed to ensure compliance with the risk policy and detailed programs include, but are not limited to, credit review and approval, validation of transactions, verification of risk and transaction limits, value-at-risk analyses (VaR, a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level) and the coordination and reporting of the Enterprise Risk Management program.

Market Risk

Market risk includes the potential loss that may be incurred as a result of price changes associated with a particular financial or commodity instrument as well as market liquidity and volumetric risks. Forward contracts, futures contracts, options, swaps and structured transactions are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices and interest rates. Many of these contracts meet the definition of a derivative. All derivatives are recognized on the Balance Sheets at their fair value, unless NPNS is elected.

The following summarizes the market risks that affect PPL and its subsidiaries.

Interest Rate Risk

- PPL and its subsidiaries are exposed to interest rate risk associated with forecasted fixed-rate and existing floating-rate debt issuances. PPL and LG&E utilize over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt. PPL, LG&E and KU utilize forward starting interest rate swaps to hedge changes in benchmark interest rates, when appropriate, in connection with future debt issuances.
- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities and derivatives held by defined benefit plans. This risk is significantly mitigated to the extent that the plans are sponsored at, or sponsored on behalf of, the regulated domestic utilities due to the recovery methods in place.

Commodity Price Risk

PPL is exposed to commodity price risk through its subsidiaries as described below.

- PPL Electric is required to purchase electricity to fulfill its obligation as a PLR. Potential commodity price risk is mitigated through its PAPUC-approved cost recovery mechanism and full-requirement supply agreements to serve its PLR customers which transfer the risk to energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel, fuel-related expenses and energy purchases. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.
- RIE utilizes derivative instruments pursuant to its RIPUC-approved plan to manage commodity price risk associated with its natural gas purchases. RIE's commodity risk management strategy is to reduce fluctuations in firm gas sales prices to its customers. RIE's costs associated with derivatives instruments are generally recoverable through its RIPUC-approved cost recovery mechanism. RIE is required to purchase electricity to fulfill its obligation to provide Last Resort Service (LRS). Potential commodity price risk is mitigated through its RIPUC-approved cost recovery mechanisms and full requirements service agreements to serve LRS customers, which transfer the risk to energy suppliers. RIE is required to contract through long-term agreements for clean energy supply under the Rhode Island Renewable Energy Growth program and Long-term Clean Energy Standard. Potential commodity price risk is mitigated through its RIPUC-approved cost recovery mechanisms, which true-up cost differences between contract prices and market prices.

Volumetric Risk

Volumetric risk is the risk related to the changes in volume of retail sales due to weather, economic conditions or other factors. PPL is exposed to volumetric risk through its subsidiaries as described below:

- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.
- RIE is exposed to volumetric risk, which is significantly mitigated by regulatory mechanisms. RIE's electric and gas distribution rates both have a revenue decoupling mechanism, which allows for annual adjustments to RIE's delivery rates.

Equity Securities Price Risk

- PPL and its subsidiaries are exposed to equity securities price risk associated with the fair value of the defined benefit plans' assets. This risk is significantly mitigated due to the recovery methods in place.
- PPL is exposed to equity securities price risk from future stock sales and/or purchases.

Credit Risk

Credit risk is the potential loss that may be incurred due to a counterparty's non-performance.

PPL is exposed to credit risk from "in-the-money" transactions with counterparties as well as additional credit risk through certain of its subsidiaries, as discussed below.

In the event a supplier of PPL, PPL Electric, LG&E or KU defaults on its obligation, those Registrants would be required to seek replacement power or replacement fuel in the market. In general, subject to regulatory review or other processes, appropriate incremental costs incurred by these entities would be recoverable from customers through applicable rate mechanisms, thereby mitigating the financial risk for these entities.

PPL and its subsidiaries have credit policies in place to manage credit risk, including the use of an established credit approval process, daily monitoring of counterparty positions and the use of master netting agreements or provisions. These agreements generally include credit mitigation provisions, such as margin, prepayment or collateral requirements. PPL and its subsidiaries may request additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit.

Master Netting Arrangements (*PPL, LG&E and KU*)

Net derivative positions on the balance sheets are not offset against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

PPL had a \$9 million obligation and no obligation to return or post cash collateral under master netting arrangements at June 30, 2022 and December 31, 2021.

LG&E and KU had no obligation to return or post cash collateral under master netting arrangements at June 30, 2022 and December 31, 2021.

See "Offsetting Derivative Instruments" below for a summary of derivative positions presented in the balance sheets where a right of setoff exists under these arrangements.

Interest Rate Risk

(All Registrants)

PPL and its subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. A variety of financial derivative instruments are utilized to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of the debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under PPL's risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolio due to changes in benchmark interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

Cash Flow Hedges (*PPL*)

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. PPL had no such contracts at June 30, 2022.

Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time period and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedged transaction is not probable of occurring.

For the three and six months ended June 30, 2022 and 2021, PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges.

At June 30, 2022, the amount of accumulated net unrecognized after-tax gains (losses) on qualifying derivatives expected to be reclassified into earnings during the next 12 months is insignificant. Amounts are reclassified as the hedged interest expense is recorded.

Economic Activity (PPL and LG&E)

LG&E enters into interest rate swap contracts that economically hedge interest payments. Because realized gains and losses from the swaps, including terminated swap contracts, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At June 30, 2022, LG&E held contracts with a notional amount of \$64 million that mature in 2033.

Accounting and Reporting

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless NPNS is elected. NPNS contracts include certain full requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values of LG&E's interest rate swaps and certain RIE commodity gas contracts that are recognized as regulatory assets or regulatory liabilities. See Note 6 for amounts recorded in regulatory assets and regulatory liabilities at June 30, 2022 and December 31, 2021.

See Note 1 in each Registrant's 2021 Form 10-K for additional information on accounting policies related to derivative instruments.

(PPL)

The following table presents the fair value and the location on the Balance Sheets of derivatives not designated as hedging instruments.

	June 30, 2022		December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities:				
Interest rate swaps (a)	\$ —	\$ 1	\$ —	\$ 1
Gas contracts	46	3	—	—
Total current	46	4	—	1
Noncurrent:				
Price Risk Management Assets/Liabilities:				
Interest rate swaps (a)	—	9	—	17
Gas contracts	13	1	—	—
Total noncurrent	13	10	—	17
Total derivatives	\$ 59	\$ 14	\$ —	\$ 18

(a) Current portion is included in "Price risk management assets" and "Other current liabilities" and noncurrent portion is included in "Price risk management assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets. Excludes accrued interest, if applicable.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the period ended June 30, 2022.

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Derivative Relationships	Three Months	Six Months	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Six Months
	Derivative Gain (Loss) Recognized in OCI	Derivative Gain (Loss) Recognized in OCI		Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Reclassified from AOCI into Income
Cash Flow Hedges:					
Interest rate swaps	\$ —	\$ —	Interest expense	\$ (1)	\$ (2)
Total	\$ —	\$ —		\$ (1)	\$ (2)
Derivatives Not Designated as Hedging Instruments			Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Six Months
Interest rate swaps		Interest expense		\$ —	\$ 1
Gas contracts		Energy purchases		9	9
		Total		\$ 9	\$ 10
Derivatives Not Designated as Hedging Instruments			Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Six Months
Interest rate swaps		Regulatory assets - noncurrent		\$ 4	\$ 8

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the period ended June 30, 2021.

Derivative Relationships	Three Months	Six Months	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Six Months
	Derivative Gain (Loss) Recognized in OCI	Derivative Gain (Loss) Recognized in OCI		Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Reclassified from AOCI into Income
Cash Flow Hedges:					
Interest rate swaps	\$ —	\$ —	Interest expense	\$ 14	\$ 13
			Loss from Discontinued Operations (net of taxes)	(1)	(2)
Cross-currency swaps	(4)	(50)	Loss from Discontinued Operations (net of taxes)	(2)	(39)
Total	\$ (4)	\$ (50)		\$ 11	\$ (28)
Net Investment Hedges:					
Foreign currency contracts in discontinued operations	\$ —	\$ 1			
Derivatives Not Designated as Hedging Instruments			Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Six Months
Foreign currency contracts		Loss from Discontinued operations (net of taxes)		\$ (241)	\$ (266)
Interest rate swaps		Interest expense		(1)	(2)
		Total		\$ (242)	\$ (268)
Derivatives Not Designated as Hedging Instruments			Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Six Months
Interest rate swaps		Regulatory assets - noncurrent		\$ (3)	\$ 3

The following table presents the effect of cash flow hedge activity on the Statement of Income for the period ended June 30, 2022.

	Location and Amount of Gain (Loss) Recognized in Income on Hedging Relationships			
	Three Months		Six Months	
	Interest Expense	Other Income (Expense) - net	Interest Expense	Other Income (Expense) - net
Total income and expense line items presented in the income statement in which the effect of cash flow hedges are recorded	\$ 118	\$ 26	\$ 225	\$ 26
The effects of cash flow hedges:				
Gain (Loss) on cash flow hedging relationships:				
Interest rate swaps:				
Amount of gain (loss) reclassified from AOCI to income	(1)	—	(2)	—

The following table presents the effect of cash flow hedge activity on the Statement of Income for the period ended June 30, 2021.

	Location and Amount of Gain (Loss) Recognized in Income on Hedging Relationships			
	Three Months		Six Months	
	Interest Expense	Income (Loss) from Discontinued Operations (net of taxes)	Interest Expense	Income (Loss) from Discontinued Operations (net of taxes)
Total income and expense line items presented in the income statement in which the effect of cash flow hedges are recorded	\$ 474	\$ 555	\$ 627	\$ (1,488)
The effects of cash flow hedges:				
Gain (Loss) on cash flow hedging relationships:				
Interest rate swaps:				
Amount of gain (loss) reclassified from AOCI to income	14	(1)	13	(2)
Cross-currency swaps:				
Hedged items	—	2	—	39
Amount of gain (loss) reclassified from AOCI to Income	—	(2)	—	(39)

(LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivatives not designated as hedging instruments.

	June 30, 2022		December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities:				
Interest rate swaps	\$ —	\$ 1	\$ —	\$ 1
Total current	—	1	—	1
Noncurrent:				
Price Risk Management Assets/Liabilities:				
Interest rate swaps	—	9	—	17
Total noncurrent	—	9	—	17
Total derivatives	\$ —	\$ 10	\$ —	\$ 18

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the period ended June 30, 2022.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Six Months
Interest rate swaps	Interest expense	\$ —	\$ 1
Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	\$ 4	\$ 8

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the period ended June 30, 2021.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Six Months
Interest rate swaps	Interest expense	\$ (1)	\$ (2)
Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	\$ (3)	\$ 3

(PPL, LG&E and KU)

Offsetting Derivative Instruments

PPL, LG&E and KU or certain of their subsidiaries have master netting arrangements in place and also enter into agreements pursuant to which they purchase or sell certain energy and other products. Under the agreements, upon termination of the agreement as a result of a default or other termination event, the non-defaulting party typically would have a right to set off amounts owed under the agreement against any other obligations arising between the two parties (whether under the agreement or not), whether matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation.

PPL, LG&E and KU have elected not to offset derivative assets and liabilities and not to offset net derivative positions against the right to reclaim cash collateral pledged (an asset) or the obligation to return cash collateral received (a liability) under derivatives agreements. The table below summarizes the derivative positions presented in the balance sheets where a right of setoff exists under these arrangements and related cash collateral received or pledged.

	Assets				Liabilities			
	Eligible for Offset				Eligible for Offset			
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
June 30, 2022								
Treasury Derivatives								
PPL	\$ 59	\$ 3	\$ 9	\$ 47	\$ 14	\$ 3	\$ —	\$ 11
LG&E	—	—	—	—	10	—	—	10
December 31, 2021								
Treasury Derivatives								
PPL	\$ —	\$ —	\$ —	\$ —	\$ 18	\$ —	\$ —	\$ 18
LG&E	—	—	—	—	18	—	—	18

Credit Risk-Related Contingent Features

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the counterparties to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, LG&E and KU or certain of their subsidiaries. Most of these features would require the transfer of additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some of these features also would allow the counterparty to require additional collateral upon each downgrade in credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade, and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent features require either immediate payment of the net liability as a termination payment or immediate and ongoing full collateralization on derivative instruments in net liability positions.

Additionally, certain derivative contracts contain credit risk-related contingent features that require adequate assurance of performance be provided if the other party has reasonable concerns regarding the performance of PPL's, LG&E's and KU's obligations under the contracts. A counterparty demanding adequate assurance could require a transfer of additional collateral or other security, including letters of credit, cash and guarantees from a creditworthy entity. This would typically involve negotiations among the parties. However, amounts disclosed below represent assumed immediate payment or immediate and ongoing full collateralization for derivative instruments in net liability positions with "adequate assurance" features.

(PPL)

At June 30, 2022, derivative contracts in a net liability position that contain credit risk-related contingent features, collateral posted on those positions and the related effect of a decrease in credit ratings below investment grade was an immaterial amount.

15. Asset Retirement Obligations

(PPL, LG&E and KU)

PPL's, LG&E's and KU's ARO liabilities are primarily related to CCR closure costs. See Note 10 for information on the CCR rule. LG&E also has AROs related to natural gas mains and wells. LG&E's and KU's transmission and distribution lines largely operate under perpetual property easement agreements, which do not generally require restoration upon removal of the property. Therefore, no material AROs are recorded for transmission and distribution assets. For LG&E and KU, all ARO accretion and depreciation expenses are reclassified as a regulatory asset or regulatory liability. ARO regulatory assets associated with certain CCR projects are amortized to expense in accordance with regulatory approvals. For other AROs, deferred accretion and depreciation expense is recovered through cost of removal.

The changes in the carrying amounts of AROs were as follows.

	PPL	LG&E	KU
Balance at December 31, 2021	\$ 189	\$ 84	\$ 105
Acquisition of RIE (a)	10	—	—
Accretion	2	2	—
New obligations incurred	1	1	—
Changes in estimated timing or cost	2	1	1
Obligations settled	(23)	(9)	(14)
Balance at June 30, 2022	<u>\$ 181</u>	<u>\$ 79</u>	<u>\$ 92</u>

(a) Represents RIE's retirement obligation balance as of the date of acquisition. See note 8 for additional information.

16. Accumulated Other Comprehensive Income (Loss)

(PPL)

The after-tax changes in AOCI by component for the periods ended June 30 were as follows.

	Foreign currency translation adjustments	Unrealized gains (losses) on qualifying derivatives	Equity investees' AOCI	Defined benefit plans		Total
				Prior service costs	Actuarial gain (loss)	
PPL						
March 31, 2022	\$ —	\$ 2	\$ 1	\$ (6)	\$ (149)	\$ (152)
Amounts arising during the period	—	—	1	—	21	22
Reclassifications from AOCI	—	—	—	—	6	6
Net OCI during the period	—	—	1	—	27	28
June 30, 2022	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ (6)</u>	<u>\$ (122)</u>	<u>\$ (124)</u>
December 31, 2021	\$ —	\$ 1	\$ —	\$ (6)	\$ (152)	\$ (157)
Amounts arising during the period	—	—	2	(1)	21	22
Reclassifications from AOCI	—	1	—	1	9	11
Net OCI during the period	—	1	2	—	30	33
June 30, 2022	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ (6)</u>	<u>\$ (122)</u>	<u>\$ (124)</u>

	Foreign currency translation adjustments	Unrealized gains (losses) on qualifying derivatives	Equity investees' AOCI	Defined benefit plans		Total
				Prior service costs	Actuarial gain (loss)	
March 31, 2021	\$ (855)	\$ (5)	\$ —	\$ (16)	\$ (3,006)	\$ (3,882)
Amounts arising during the period	69	(9)	—	—	(6)	54
Reclassifications from AOCI	—	(1)	—	(7)	67	59
Reclassifications from AOCI due to the sale of the U.K. utility business (Note 8)	786	15	—	8	2,769	3,578
Net OCI during the period	855	5	—	1	2,830	3,691
June 30, 2021	\$ —	\$ —	\$ —	\$ (15)	\$ (176)	\$ (191)
December 31, 2020	\$ (1,158)	\$ —	\$ —	\$ (16)	\$ (3,046)	\$ (4,220)
Amounts arising during the period	372	(39)	—	—	(6)	327
Reclassifications from AOCI	—	24	—	(7)	107	124
Reclassifications from AOCI due to the sale of the U.K. utility business (Note 8)	786	15	—	8	2,769	3,578
Net OCI during the period	1,158	—	—	1	2,870	4,029
June 30, 2021	\$ —	\$ —	\$ —	\$ (15)	\$ (176)	\$ (191)

The following table presents PPL's gains (losses) and related income taxes for reclassifications from AOCI for the periods ended June 30.

Details about AOCI	Three Months		Six Months		Affected Line Item on the Statements of Income
	2022	2021	2022	2021	
Qualifying derivatives					
Interest rate swaps	\$ (1)	\$ 14	\$ (2)	\$ 13	Interest Expense
	—	(1)	—	(2)	Loss from Discontinued Operations (net of income taxes)
Cross-currency swaps	—	(2)	—	(39)	Loss from Discontinued Operations (net of income taxes)
Total Pre-tax	(1)	11	(2)	(28)	
Income Taxes	1	(10)	1	4	
Total After-tax	—	1	(1)	(24)	
Defined benefit plans					
Prior service costs (a)	—	9	(1)	9	
Net actuarial loss (a)	(8)	(71)	(12)	(133)	
Total Pre-tax	(8)	(62)	(13)	(124)	
Income Taxes	2	2	3	24	
Total After-tax	(6)	(60)	(10)	(100)	
Sale of the U.K. utility business (Note 9)					
Foreign currency translation adjustments	—	(646)	—	(646)	Loss from Discontinued Operations (net of income taxes)
Qualifying derivatives	—	(15)	—	(15)	Loss from Discontinued Operations (net of income taxes)
Defined benefit plans	—	(3,577)	—	(3,577)	Loss from Discontinued Operations (net of income taxes)
Total Pre-tax	—	(4,238)	—	(4,238)	
Income Taxes	—	660	—	660	
Total After-tax	—	(3,578)	—	(3,578)	
Total reclassifications during the period	\$ (6)	\$ (3,637)	\$ (11)	\$ (3,702)	

(a) These AOCI components are included in the computation of net periodic defined benefit cost. See Note 9 for additional information.

Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations

(All Registrants)

This "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" is separately filed by PPL, PPL Electric, LG&E and KU. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for individual Registrants when significant.

The following should be read in conjunction with the Registrants' Condensed Consolidated Financial Statements and the accompanying Notes and with the Registrants' 2021 Form 10-K. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" includes the following information:

- "Overview" provides a description of each Registrant's business strategy and a discussion of important financial and operational developments.
- "Results of Operations" for all Registrants includes a "Statement of Income Analysis," which discusses significant changes in principal line items on the Statements of Income, comparing the three and six months ended June 30, 2022 with the same period in 2021. The PPL "Results of Operations" also includes "Segment Earnings" and "Adjusted Gross Margins," which provide a detailed analysis of earnings by reportable segment. These discussions include non-GAAP financial measures, including "Earnings from Ongoing Operations" and "Adjusted Gross Margins" and provide explanations of the non-GAAP financial measures and a reconciliation of the non-GAAP financial measures to the most comparable GAAP measure.
- "Financial Condition - Liquidity and Capital Resources" provides an analysis of the Registrants' liquidity positions and credit profiles. This section also includes a discussion of rating agency actions.
- "Financial Condition - Risk Management" provides an explanation of the Registrants' risk management programs relating to market and credit risk.

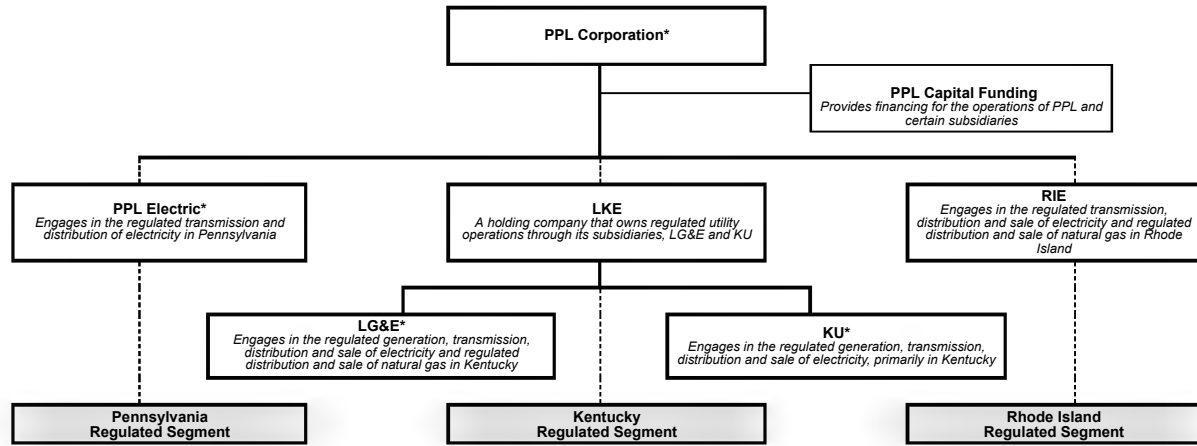
Overview

Introduction

(PPL)

PPL, headquartered in Allentown, Pennsylvania, is a utility holding company. PPL, through its regulated utility subsidiaries, delivers electricity to customers in Pennsylvania, Kentucky, Virginia, and Rhode Island; delivers natural gas to customers in Kentucky and Rhode Island; and generates electricity from power plants in Kentucky.

PPL's principal subsidiaries are shown below (* denotes a Registrant).



In addition to PPL, the other Registrants included in this filing are as follows.

(PPL Electric)

PPL Electric, headquartered in Allentown, Pennsylvania, is a wholly-owned subsidiary of PPL and a regulated public utility that is an electricity transmission and distribution service provider in eastern and central Pennsylvania. PPL Electric is subject to regulation as a public utility by the PAPUC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. PPL Electric delivers electricity in its Pennsylvania service area and provides electricity supply to retail customers in that area as a PLR under the Customer Choice Act. PPL Electric was organized in 1920 as Pennsylvania Power & Light Company.

(LG&E)

LG&E, headquartered in Louisville, Kentucky, is a wholly-owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas in Kentucky. LG&E is subject to regulation as a public utility by the KPSC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act.

(KU)

KU, headquartered in Lexington, Kentucky, is a wholly-owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky and Virginia. KU is subject to regulation as a public utility by the KPSC and the VSCC, and certain of its transmission and wholesale power activities are subject to the jurisdiction of the FERC under the Federal Power Act. KU serves its Kentucky customers under the KU name and its Virginia customers under the Old Dominion Power name.

Segment Information *(PPL)*

The following segment information represents an update to “Item 1. Business” in PPL’s 2021 Form 10-K and should be read in conjunction with those disclosures.

PPL is organized into three reportable segments as depicted in the chart above: Kentucky Regulated, which primarily represents the results of LG&E and KU, Pennsylvania Regulated, which primarily represents the results of PPL Electric and Rhode Island

Regulated, which primarily represents the results of RIE. "Corporate and Other" primarily includes financing costs incurred at the corporate level that have not been allocated or assigned to the segments.

Rhode Island Regulated Segment

The Rhode Island Regulated segment consists primarily of the regulated electricity transmission and distribution operations and regulated distribution and sale of natural gas conducted by RIE.

RIE is engaged in the regulated transmission, distribution and sale of electricity and regulated distribution and sale of natural gas in Rhode Island. RIE provides electricity service to approximately 510,000 customers and natural gas service to approximately 270,000 customers in Rhode Island. RIE's service area covers substantially all of Rhode Island. See Note 3 to the Financial Statements for revenue information.

Franchises and Licenses

RIE provides electricity delivery service and natural gas distribution service in its service territory pursuant to certain franchises, licenses, statutory service areas, easements and other rights or permissions granted by state legislatures, cities or municipalities or other entities.

Competition

There are currently no other electric or gas public utilities operating within the service area of RIE.

Rates and Regulation

RIE is subject to the jurisdiction of the FERC, the RIPUC and the Rhode Island Division of Public Utilities and Carriers. RIE operates under a FERC-approved open access transmission tariff.

Distribution

RIE owns and maintains electric and natural gas distribution networks in Rhode Island. Distribution revenues are primarily from the sale of electricity, natural gas, and related services to retail customers. Distribution sales are regulated by the RIPUC, which is responsible for approving the rates and other terms of services as part of the rate making process. Natural gas and electric distribution revenues are derived from the regulated sale and distribution of electricity and natural gas to residential, commercial, and industrial customers within RIE's service territory under the tariff rates. The tariff rates approved by the regulator are designed to recover the costs incurred by the RIE for products and services provided and along with a return on investment.

Transmission

RIE owns an electric transmission system in Rhode Island. RIE's transmission services are regulated by the FERC and coordinated with Independent System Operator (ISO) – New England. Additionally, RIE makes available its transmission facilities to NEP, for operation and control pursuant to an integrated facilities agreement, Service Agreement No. 23 (Integrated Facilities Agreement or IFA). These revenues arise under tariff/rate agreements.

Deferral Mechanisms

RIE records revenues in accordance with accounting principles for rate-regulated operations for arrangements between the RIE and the regulator. These include various deferral mechanisms such as capital trackers, energy efficiency programs, and other programs that also qualify as Alternative Revenue Programs (ARPs). ARPs enable the RIE to adjust rates in the future, in response to past activities or completed events. RIE's electric and gas distribution rates both have a revenue decoupling mechanism, which allows for annual adjustments to the RIE's delivery rates, as a result of the reconciliation between allowed revenue and billed revenue. RIE also has other ARPs related to the achievement of certain objectives, demand side management initiatives, and certain other rate making mechanisms. RIE recognizes ARPs with a corresponding offset to a regulatory asset or

liability account when the regulatory specified events or conditions have been met, when the amounts are determinable, and are probable of recovery (or payment) through future rate adjustments.

At June 30, 2022, all of RIE's regulatory assets earn a rate of return except \$98 million of environmental response costs, \$75 million of postretirement benefits and \$51 million of net metering deferral costs.

Last Resort Service

RIE is required by the RIPUC and by statute to provide Last Resort Service. Last Resort Service is available to all customers (including new customers) who have not elected to take their electric supply from a non-regulated power producer or any customer who, for any reason, has stopped receiving generation service from a non-regulated power producer.

The charge for Last Resort Service is the sum of the applicable Last Resort Service charges in addition to all appropriate Retail Delivery charges as stated in the applicable tariff. The monthly charge for Last Resort Service also includes the costs incurred by RIE to comply with the Renewable Energy Standard, established in R.I.G.L. Section 39-26-1 and the costs to comply with the RIPUC's Rules Governing Energy Source Disclosure. The charge for Last Resort Service includes the administrative costs associated with the procurement of Last Resort Service, including an adjustment for uncollectible accounts as approved by the RIPUC.

Numerous alternative suppliers have offered to provide generation supply in RIE's service area. As the cost of generation supply is a pass-through cost for RIE, its financial results are not impacted if its customers purchase electricity supply from these alternative suppliers.

See Note 6 to the Financial Statements for additional information on rate mechanisms and regulatory matters.

Natural Gas Distribution Supply

To meet the projected annual gas supply requirements of approximately 37 Bcf, RIE has a portfolio of gas supply arrangements of varying contractual terms and durations to provide reliable and cost-effective service to its customers. These natural gas supply arrangements include contracts with natural gas producers and marketers that reflect market price signals. RIE also has firm pipeline and underground storage capacity contracts to support the delivery of natural gas supplies to its customers. Also, to manage the winter peak requirements for RIE customers, RIE contracts for liquified natural gas (LNG) service and owns and operates certain LNG storage facilities.

The RIE gas supply portfolio includes contracts for firm transportation service with eleven interstate pipeline companies and natural gas storage operators. These contracts have various termination dates with certain contracts being subject to evergreen renewal provisions affording RIE with flexibility in managing its upstream resource portfolio.

RIE expects to purchase natural gas supplies for its gas distribution operations from onshore producing regions accessed by its pipeline capacity portfolio in South Texas, East Texas, and Louisiana, as well as gas originating in the Marcellus and Utica production areas. RIE expects to purchase certain natural gas supplies that originate in Canada and from regional LNG importation terminals.

Business Strategy

(All Registrants)

PPL's strategy, which is supported by the other Registrants, is to achieve industry-leading performance in safety, reliability, customer satisfaction and operational efficiency; to advance a clean energy transition while maintaining affordability and reliability; to maintain a strong financial foundation and create long-term value for our shareowners; to foster a diverse and exceptional workplace; and to build strong communities in areas that we serve.

Central to PPL's and the other Registrants' strategy is recovering capital project costs efficiently through various rate-making mechanisms, including periodic base rate case proceedings using forward test years, annual FERC formula rate mechanisms and other regulatory agency-approved recovery mechanisms designed to limit regulatory lag. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, and gas supply clause) and recovery on

construction work-in-progress that reduce regulatory lag and provide timely recovery of and return on, as appropriate, prudently incurred costs. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism, Smart Meter Rider and other recovery mechanisms operate to reduce regulatory lag and provide for timely recovery of and a return on, as appropriate, prudently incurred costs. In Rhode Island, the gas cost adjustment, net metering, infrastructure, safety and reliability (ISR) and revenue decoupling mechanisms and other rate adjustment mechanisms operate to reduce regulatory lag and provide timely recovery of and return on, as appropriate, prudently incurred costs.

Financial and Operational Developments

Acquisition of Narragansett Electric (PPL)

On May 25, 2022, PPL Rhode Island Holdings acquired 100% of the outstanding shares of common stock of Narragansett Electric from National Grid U.S. The consideration for the Acquisition consisted of approximately \$3.8 billion in cash and approximately \$1.5 billion of long-term debt assumed through the transaction. The \$3.8 billion total cash consideration paid was funded with proceeds from PPL's 2021 sale of its U.K. utility business. The Acquisition resulted in \$1.6 billion of goodwill. The results of RIE are reported in PPL's Rhode Island Regulated segment.

The acquisition of Narragansett Electric was deemed an asset acquisition for federal and state income tax purposes, as a result of PPL and National Grid making a tax election under Internal Revenue Code (IRC) §338(h)(10). Accordingly, the tax basis of substantially all of the assets acquired were increased to fair market value, which equaled net book value, thereby eliminating the related deferred tax assets and liabilities. The tax goodwill will be amortized for tax purposes over 15 years.

See Note 8 to the Financial Statements for additional information.

Pennsylvania State Tax Reform (PPL and PPL Electric)

On July 8, 2022, the Governor of Pennsylvania signed into law Pennsylvania House Bill 1342 (H.B. 1342). Among other changes to the state tax code, the bill will reduce the corporate net income tax rate from 9.99% to 8.99% beginning January 1, 2023, and reduces annually by half a percentage point until the rate reaches 4.99% in 2031.

GAAP requires that deferred tax assets and liabilities be measured at the enacted tax rate expected to apply when temporary book-to-tax differences are expected to be realized or settled. Accordingly, in the third quarter of 2022, PPL expects to record the impact of the reduced tax rate as a reduction in the accumulated deferred income taxes related to regulated operations in an amount between \$200 million and \$300 million, with a corresponding increase in regulatory liabilities. In addition, PPL expects to recognize a deferred tax benefit of between \$3 million and \$7 million primarily associated with the remeasurement of accumulated deferred income tax balances related to non-regulated operations.

The foregoing numbers are estimates that will be updated quarterly to reflect revised forecast, actual activity, and orders from regulatory authorities.

Regulatory Requirements

(All Registrants)

The Registrants cannot predict the impact that future regulatory requirements may have on their financial condition or results of operations.

Environmental Considerations for Coal-Fired Generation (PPL, LG&E and KU)

The businesses of LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHG, and ELGs. See Notes 6, 10 and 15 to the Financial Statements for a discussion of these significant environmental matters. These and other environmental requirements led PPL, LG&E and KU to retire approximately 1,200 MW of coal-fired generating plants in Kentucky since 2010. As part of the long-term generation planning process, LG&E and KU evaluate a range of factors including the impact of potential stricter environmental regulations, fuel price scenarios, the cost of replacement generation, continued operations and major maintenance costs and the risk of major equipment failures in determining when to retire generation assets. As a result of environmental requirements and aging infrastructure, LG&E anticipates retiring two older coal-fired units at the Mill Creek Plant and KU anticipates retiring one coal-fired unit at the E.W. Brown plant. Mill Creek Unit 1 has 300 MW of capacity and is expected to be retired in 2024. Mill Creek

Unit 2 and E.W. Brown Unit 3 have capacities of 297 MW and 412 MW and are expected to be retired in 2028. LG&E and KU anticipate earning recovery of and return on any remaining net book value of these assets through the Retired Asset Recovery (RAR) rider. See Note 7 to the Financial Statements in the Registrants' 2021 Form 10-K for additional information related to the RAR rider.

FERC Transmission Rate Filing (PPL, LG&E and KU)

In 2018, LG&E and KU applied to the FERC requesting elimination of certain on-going credits to a sub-set of transmission customers relating to the 1998 merger of LG&E's and KU's parent entities and the 2006 withdrawal of LG&E and KU from the Midcontinent Independent System Operator, Inc. (MISO), a regional transmission operator and energy market. The application sought termination of LG&E's and KU's commitment to provide certain Kentucky municipalities mitigation for certain horizontal market power concerns arising out of the 1998 LG&E and KU merger and 2006 MISO withdrawal. The amounts at issue are generally waivers or credits granted to a limited number of Kentucky municipalities for either certain LG&E and KU or MISO transmission charges incurred for transmission service received. In 2019, the FERC granted LG&E's and KU's request to remove the ongoing credits, conditioned upon the implementation by LG&E and KU of a transition mechanism for certain existing power supply arrangements, which was subsequently filed, modified, and approved by the FERC in 2020 and 2021. In 2020, LG&E and KU and other parties filed appeals with the D.C. Circuit Court of Appeals regarding FERC's orders on the elimination of the mitigation and required transition mechanism. Oral arguments in the appellate proceeding occurred on February 14, 2022. LG&E and KU cannot predict the outcome of the respective appellate and FERC proceedings. LG&E and KU currently receive recovery of the waivers and credits provided through other rate mechanisms and such rate recovery would be anticipated to be adjusted in future rate proceedings consistent with potential changes or terminations of the waivers and credits, as such become effective.

Rate Case Proceedings (KU)

On August 31, 2021, KU filed a request with the VSCC for an annual increase in Virginia base electricity rates of approximately \$12 million, based on an authorized 10.4% return on equity. On March 11, 2022, KU, certain intervenors and the VSCC staff reached a partial stipulation and recommendation agreement providing KU with an increase in base electricity rates of approximately \$7 million based on an authorized 9.4% return on equity. A hearing on open issues occurred on March 17, 2022. On May 25, 2022, the VSCC issued an order approving the proposed agreement. New rates became effective June 1, 2022.

Labor Union Agreement (PPL and PPL Electric)

In March 2022, members of the IBEW Local 1600 ratified a new five-year labor agreement with PPL and PPL Electric. The contract covers over 1,000 employees and was effective May 16, 2022. The terms of the new labor agreement are not expected to have a significant impact on the financial results of PPL or PPL Electric.

Results of Operations

(PPL)

The "Statement of Income Analysis" discussion below describes significant changes in principal line items on the Statements of Income, comparing the three and six months ended June 30, 2022 with the same periods in 2021. The "Segment Earnings" and "Adjusted Gross Margins" discussions provide a review of results by reportable segment. These discussions include non-GAAP financial measures, including "Earnings from Ongoing Operations" and "Adjusted Gross Margins," and provide explanations of the non-GAAP financial measures and a reconciliation of those measures to the most comparable GAAP measure.

(PPL Electric, LG&E and KU)

A "Statement of Income Analysis" is presented separately for PPL Electric, LG&E and KU. The "Statement of Income Analysis" discussion below describes significant changes in principal line items on the Statements of Income, comparing the three and six months ended June 30, 2022 with the same periods in 2021.

(All Registrants)

The results for interim periods can be disproportionately influenced by numerous factors and developments and by seasonal variations. As such, the results of operations for interim periods do not necessarily indicate results or trends for the year or future periods.

PPL: Statement of Income Analysis, Segment Earnings and Adjusted Gross Margins

Statement of Income Analysis

Net income for the periods ended June 30 includes the following results:

	Three Months			Six Months		
	2022	2021	\$ Change	2022	2021	\$ Change
Operating Revenues	\$ 1,696	\$ 1,288	\$ 408	\$ 3,478	\$ 2,786	\$ 692
Operating Expenses						
Operation						
Fuel	229	159	70	441	336	105
Energy purchases	305	137	168	657	357	300
Other operation and maintenance	560	404	156	993	771	222
Depreciation	289	269	20	560	536	24
Taxes, other than income	70	49	21	130	101	29
Total Operating Expenses	1,453	1,018	435	2,781	2,101	680
Other Income (Expense) - net	26	13	13	26	13	13
Interest Expense	118	474	(356)	225	627	(402)
Income from Continuing Operations Before Income Taxes	151	(191)	342	498	71	427
Income Taxes	32	345	(313)	106	404	(298)
Income from Continuing Operations After Income Taxes	119	(536)	655	392	(333)	725
Loss from Discontinued Operations (net of income taxes) (Note 8)	—	555	(555)	—	(1,488)	1,488
Net Income (Loss)	\$ 119	\$ 19	\$ 100	\$ 392	\$ (1,821)	\$ 2,213

Operating Revenues

The increase (decrease) in operating revenues was due to:

	Three Months	Six Months
PPL Electric distribution price (a)	\$ (11)	\$ (17)
PPL Electric distribution volume (b)	(2)	10
PPL Electric PLR (c)	115	229
PPL Electric transmission formula rate (d)	34	79
LG&E retail rates (e)	21	50
LG&E volumes	10	16
LG&E fuel and other energy prices (f)	43	80
LG&E economic relief billing credit, net of amortization of \$4, \$9	(6)	(12)
KU retail rates (e)	26	55
KU volumes	11	11
KU fuel and other energy prices (f)	48	74
KU economic relief billing credit, net of amortization of \$1, \$1	(2)	(5)
Rhode Island Energy	128	128
Other	(7)	(6)
Total	\$ 408	\$ 692

- (a) The decreases were primarily due to reconcilable cost recovery mechanisms approved by the PAPUC.
(b) The increase for the six months ended June 30, 2022 was due to weather and higher customer volumes.
(c) The increases were primarily due to higher energy prices, higher customer volumes and lower volumes of shopping customers.

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- (d) The increases were due to a higher PPL zonal peak load billing factor in 2022, a revenue reduction recorded due to a challenge to the transmission formula rate return on equity in 2021 and additional returns on transmission capital investments. See Note 6 to the Financial Statements for additional details on the transmission formula rate return on equity reduction.
- (e) The increases were due to new base rates approved by the KPSC effective July 1, 2021.
- (f) The increases were primarily due to higher recoveries of fuel and energy purchases due to higher commodity costs.

Fuel

Fuel increased \$70 million for the three months ended June 30, 2022 compared with 2021, due to a \$24 million increase at LG&E and a \$46 million increase at KU primarily due to higher commodity costs.

Fuel increased \$105 million for the six months ended June 30, 2022 compared with 2021, due to a \$38 million increase at LG&E and a \$67 million increase at KU primarily due to higher commodity costs.

Energy Purchases

Energy purchases increased \$168 million for the three months ended June 30, 2022 compared with 2021, primarily due to higher PLR prices of \$87 million and higher PLR volumes of \$18 million at PPL Electric and a \$20 million increase at LG&E primarily due to an increase in commodity costs and an additional \$38 million due to the operations of RIE.

Energy purchases increased \$300 million for the six months ended June 30, 2022 compared with 2021, primarily due to higher PLR prices of \$177 million and higher PLR volumes of \$34 million at PPL Electric and a \$45 million increase at LG&E primarily due to an increase in commodity costs and an additional \$38 million due to the operations of RIE.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	Three Months	Six Months
PPL Electric bad debts	\$ —	\$ 5
PPL Electric storm costs	(2)	5
PPL Electric universal service programs	—	4
LG&E storm costs	3	6
KU plant operations and maintenance	4	7
Solar panel impairment (a)	(37)	(37)
Charges related to the sale of the U.K. utility business	(8)	(15)
Rhode Island Energy (b)	168	203
Stock compensation expense	(1)	2
Other	29	42
Total	\$ 156	\$ 222

- (a) Reflects June 2021 solar panel write-down due to extension of federal government's solar investment tax credits, technological advances resulting in more efficient modules available on the market, and rising commodity prices for materials used in various solar projects.
- (b) Includes activity associated with the operations of RIE and integration costs. See Note 8 to the Financial Statements for additional information.

Depreciation

The increase in depreciation was due to:

	Three Months	Six Months
Additions to PP&E, net (a)	\$ (4)	\$ (7)
Depreciation rate change effective July 2021	8	14
Rhode Island Energy	15	15
Other	1	2
Total	\$ 20	\$ 24

- (a) The decreases were primarily due to decreases in software and computer hardware depreciation at PPL Electric, as a result of end-of-life retirements, partially offset by increases in additional assets placed into service, net of retirements at LG&E and KU.

Taxes, Other Than Income

The increase (decrease) in taxes, other than income was due to:

	Three Months	Six Months
State gross receipts tax	\$ 9	\$ 15
Domestic property tax expense	11	13
Other	1	1
Total	<u>\$ 21</u>	<u>\$ 29</u>

Other Income (Expense) - net

The increase (decrease) in other income (expense) - net was due to:

	Three Months	Six Months
Defined benefit plans - non-service credits (Note 9)	\$ 1	\$ 8
Interest income	(5)	(6)
Other	17	11
Total	<u>\$ 13</u>	<u>\$ 13</u>

Interest Expense

The increase (decrease) in interest expense was due to:

	Three Months	Six Months
Loss on extinguishment of debt (a)	\$ (322)	\$ (322)
Long-term debt (b)	(33)	(75)
Other	(1)	(5)
Total	<u>\$ (356)</u>	<u>\$ (402)</u>

- (a) In June 2021, in connection with the tender offer, PPL Capital Funding retired \$1,962 million combined aggregate principal amount of its outstanding Senior Notes for \$2,293 million aggregate cash purchase price. The loss on extinguishment included the tender premium, bank fees and unamortized fees, hedges and discounts.
- (b) The decreases were primarily due to PPL Capital Funding debt that was redeemed in June and July 2021.

Income Taxes

The increase (decrease) in income taxes was due to:

	Three Months	Six Months
Change in pre-tax income	\$ 117	\$ 142
Valuation allowance adjustments (a)	(19)	(24)
Amortization of investment tax credit including deferred taxes on basis difference	(4)	(6)
Amortization of excess deferred federal and state income taxes	(14)	(20)
Depreciation and other items not normalized	(3)	(4)
Impact of U.K. Finance Acts (b)	(383)	(383)
Other	(7)	(3)
Total	<u>\$ (313)</u>	<u>\$ (298)</u>

- (a) In June 2021, PPL recorded a \$25 million state deferred tax benefit on a net operating loss and an offsetting valuation allowance in connection with the loss on extinguishment associated with a tender offer to purchase and retire PPL Capital Funding's outstanding Senior Notes.
- (b) The U.K. Finance Act 2021, formally enacted on June 10, 2021, increased the U.K. corporation tax rate from 19% to 25%, effective April 1, 2023. The primary impact of the corporation tax rate increase was an increase in deferred tax liabilities of the U.K. utility business, which was sold on June 14, 2021, and a corresponding deferred tax expense of \$383 million, which was recognized in continuing operations.

Income (Loss) from Discontinued Operations (net of income taxes)

Income from discontinued operations (net of income taxes) decreased \$555 million for the three months ended June 30, 2022 compared with 2021. The decrease was due to the completion of the sale of the U.K. utility business in the second quarter of 2021.

Loss from discontinued operations (net of income taxes) decreased \$1,488 million for the six months ended June 30, 2022 compared with 2021. The decrease was due to the completion of the sale of the U.K. utility business in the second quarter of 2021.

See "Discontinued Operations" in Note 8 to the Financial Statements for summarized results of operations of the U.K. utility business in 2021.

Segment Earnings

PPL's Net Income by reportable segment for the periods ended June 30 was as follows:

	Three Months			Six Months		
	2022	2021	\$ Change	2022	2021	\$ Change
Kentucky Regulated	\$ 102	\$ 84	\$ 18	\$ 281	\$ 230	\$ 51
Pennsylvania Regulated	124	96	28	267	209	58
Rhode Island Regulated (a)	(29)	—	(29)	(29)	—	(29)
Corporate and Other (b)	(78)	(716)	638	(127)	(772)	645
Income (Loss) from Discontinued Operations (a)	—	555	(555)	—	(1,488)	1,488
Net Income	\$ 119	\$ 19	\$ 100	\$ 392	\$ (1,821)	\$ 2,213

(a) See Note 8 to the Financial Statements for additional information.

(b) Primarily represents financing and certain other costs incurred at the corporate level that have not been allocated or assigned to the segments, which are presented to reconcile segment information to PPL's consolidated results.

Earnings from Ongoing Operations

Management utilizes "Earnings from Ongoing Operations" as a non-GAAP financial measure that should not be considered as an alternative to net income, an indicator of operating performance determined in accordance with GAAP. PPL believes that Earnings from Ongoing Operations is useful and meaningful to investors because it provides management's view of PPL's earnings performance as another criterion in making investment decisions. In addition, PPL's management uses Earnings from Ongoing Operations in measuring achievement of certain corporate performance goals, including targets for certain executive incentive compensation. Other companies may use different measures to present financial performance.

Earnings from Ongoing Operations is adjusted for the impact of special items. Special items are presented in the financial tables on an after-tax basis with the related income taxes on special items separately disclosed. Income taxes on special items, when applicable, are calculated based on the statutory tax rate of the entity where the activity is recorded. Special items may include items such as:

- Gains and losses on sales of assets not in the ordinary course of business.
- Impairment charges.
- Significant workforce reduction and other restructuring effects.
- Acquisition and divestiture-related adjustments.
- Significant losses on early extinguishment of debt.
- Other charges or credits that are, in management's view, non-recurring or otherwise not reflective of the company's ongoing operations.

PPL's Earnings from Ongoing Operations by reportable segment for the periods ended June 30 were as follows:

	Three Months			Six Months		
	2022	2021	\$ Change	2022	2021	\$ Change
Kentucky Regulated	\$ 104	\$ 84	\$ 20	\$ 287	\$ 226	\$ 61
Pennsylvania Regulated	124	103	21	267	229	38
Rhode Island Regulated	9	—	9	9	—	9
Corporate and Other	(15)	(40)	25	(36)	(89)	53
Earnings from Ongoing Operations	\$ 222	\$ 147	\$ 75	\$ 527	\$ 366	\$ 161

See "Reconciliation of Earnings from Ongoing Operations" below for a reconciliation of this non-GAAP financial measure to Net Income.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of the regulated electricity generation, transmission and distribution operations conducted by LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas.

Net Income and Earnings from Ongoing Operations for the periods ended June 30 include the following results.

	Three Months			Six Months		
	2022	2021	\$ Change	2022	2021	\$ Change
Operating revenues	\$ 883	\$ 741	\$ 142	\$ 1,887	\$ 1,626	\$ 261
Fuel	229	159	70	441	336	105
Energy purchases	50	27	23	146	98	48
Other operation and maintenance	234	215	19	459	435	24
Depreciation	173	158	15	342	314	28
Taxes, other than income	23	22	1	46	43	3
Total operating expenses	709	581	128	1,434	1,226	208
Other Income (Expense) - net	8	6	2	6	6	—
Interest Expense	49	50	(1)	96	101	(5)
Interest Expense with Affiliate (a)	13	12	1	27	25	2
Income Taxes	18	20	(2)	55	50	5
Net Income	102	84	18	281	230	51
Less: Special Items	(2)	—	(2)	(6)	4	(10)
Earnings from Ongoing Operations	\$ 104	\$ 84	\$ 20	\$ 287	\$ 226	\$ 61

(a) Borrowings between LKE and PPL were \$1,529 million and \$2,166 million as of June 30, 2022 and December 31, 2021.

The following after-tax gains (losses), which management considers special items, impacted the Kentucky Regulated segment's results and are excluded from Earnings from Ongoing Operations during the periods ended June 30.

Income Statement Line Item	Three Months		Six Months	
	2022	2021	2022	2021
Strategic corporate initiatives, net of tax of \$1, \$0, \$2, \$0 (a)	\$ (2)	\$ —	\$ (6)	\$ —
Valuation allowance adjustment (b)	—	—	—	4
Total Special Items	\$ (2)	\$ —	\$ (6)	\$ 4

(a) Costs incurred relate to PPL's corporate centralization efforts.

(b) Adjustment of valuation allowances related to certain tax credits recorded in 2017 as a result of the TCJA.

The changes in the components of the Kentucky Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Kentucky Adjusted Gross Margins and the items that management considers special on separate lines and not in their respective Statement of Income line items.

	Three Months	Six Months
Kentucky Adjusted Gross Margins	\$ 78	\$ 167
Other operation and maintenance	(12)	(18)
Depreciation	(43)	(83)
Taxes, other than income	(1)	(5)
Other Income (Expense) - net	(3)	—
Interest Expense	1	5
Interest Expense with Affiliate	(1)	(2)
Income Taxes	1	(3)
Earnings from Ongoing Operations	20	61
Special items, after-tax	(2)	(10)
Net Income	\$ 18	\$ 51

- See "Adjusted Gross Margins - Changes in Adjusted Gross Margins" for an explanation of Kentucky Adjusted Gross Margins.
- Higher other operation and maintenance expense for the three month period primarily due to a \$3 million increase due to certain ECR expenses transferred to base rates as a result of the 2020 Kentucky rate case, a \$3 million increase in storm restoration costs, a \$3 million increase due to the timing and scope of plant maintenance outages and other items that were not individually significant.
- Higher other operation and maintenance expense for the six month period primarily due to a \$6 million increase due to certain ECR expenses transferred to base rates as a result of the 2020 Kentucky rate case, a \$6 million increase in storm restoration costs, a \$5 million increase due to the timing and scope of plant maintenance outages and other items that were not individually significant.
- Higher depreciation expense for the three month period due to a \$30 million increase related to certain ECR and GLT depreciation expenses transferred to base rates as a result of the 2020 Kentucky rate case, a \$7 million increase due to additional assets placed into service, net of retirements and a \$6 million increase due to higher depreciation rates, effective July 1, 2021.
- Higher depreciation expense for the six month period due to a \$60 million increase related to certain ECR and GLT depreciation expenses transferred to base rates as a result of the 2020 Kentucky rate case, a \$12 million increase due to additional assets placed into service, net of retirements and an \$11 million increase due to higher depreciation rates, effective July 1, 2021.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric.

Net Income and Earnings from Ongoing Operations for the periods ended June 30 include the following results.

	Three Months			Six Months		
	2022	2021	\$ Change	2022	2021	\$ Change
Operating revenues	\$ 676	\$ 537	\$ 139	\$ 1,451	\$ 1,142	\$ 309
Energy purchases	218	110	108	474	259	215
Other operation and maintenance	128	125	3	288	253	35
Depreciation	99	109	(10)	197	217	(20)
Taxes, other than income	32	26	6	69	58	11
Total operating expenses	477	370	107	1,028	787	241
Other Income (Expense) - net	9	5	4	17	10	7
Interest Expense	40	42	(2)	79	85	(6)
Income Taxes	44	34	10	94	71	23
Net Income	124	96	28	267	209	58
Less: Special Item	—	(7)	7	—	(20)	20
Earnings from Ongoing Operations	\$ 124	\$ 103	\$ 21	\$ 267	\$ 229	\$ 38

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The following after-tax gains (losses), which management considers special items, impacted the Pennsylvania Regulated segment's results and are excluded from Earnings from Ongoing Operations during the periods ended June 30.

Income Statement Line Item	Three Months		Six Months	
	2022	2021	2022	2021
Transmission formula rate return on equity reduction, net of tax of \$0, \$2, \$0, \$8 (a)	\$ —	\$ (7)	\$ —	\$ (20)
Total Special Items	\$ —	\$ (7)	\$ —	\$ (20)

(a) Represents the portion of the reduction recognized in the June 30, 2021 Statement of Income related to the period from May 21, 2020 through December 31, 2020. See Note 6 to the Financial Statements for additional information.

The changes in the components of the Pennsylvania Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as Pennsylvania Adjusted Gross Margins and the items that management considers special on separate lines and not in their respective Statement of Income line items.

	Three Months	Six Months
Pennsylvania Adjusted Gross Margins	\$ 26	\$ 71
Other operation and maintenance	(2)	(30)
Depreciation	—	—
Taxes, other than income	(1)	(1)
Other Income (Expense) - net	3	6
Interest Expense	3	7
Income Taxes	(8)	(15)
Earnings from Ongoing Operations	21	38
Special Item, after tax	7	20
Net Income	\$ 28	\$ 58

- See "Adjusted Gross Margins - Changes in Adjusted Gross Margins" for an explanation of Pennsylvania Adjusted Gross Margins.
- Higher other operation and maintenance expense for the six month period primarily due to higher Corporate support costs of \$14 million, higher storm costs of \$5 million, higher nonrecoverable bad debt expense of \$5 million and other items that were not individually significant.
- Higher income taxes for the three and six month period primarily due to higher pre-tax income.

Rhode Island Regulated Segment

The Rhode Island Regulated segment consists primarily of the regulated electricity transmission and distribution operations and regulated distribution and sale of natural gas conducted by RIE.

Net Income and Earnings from Ongoing Operations for the period from acquisition through ended June 30 include the following results.

	Three Months	Six Months
	2022	2022
Operating revenues	\$ 128	\$ 128
Energy purchases	38	38
Other operation and maintenance	93	93
Depreciation	15	15
Taxes, other than income	14	14
Total operating expenses	160	160
Other Income (Expense) - net	2	2
Interest Expense	7	7
Income Taxes	(8)	(8)
Net Income	(29)	(29)
Less: Special Item	(38)	(38)
Earnings from Ongoing Operations	\$ 9	\$ 9

The following after-tax gains (losses), which management considers special items, impacted the Rhode Island Regulated segment's results and are excluded from Earnings from Ongoing Operations during the periods ended June 30.

Income Statement Line Item	Three Months	Six Months
	2022	2022
Acquisition integration, net of tax of \$10, \$10 (a)	\$ (39)	\$ (39)
Acquisition integration, net of tax of \$0, \$0 (a)	1	1
Total Special Items	\$ (38)	\$ (38)

(a) See Note 8 to the Financial Statements for additional information.

Reconciliation of Earnings from Ongoing Operations

The following tables contain after-tax gains (losses), in total, which management considers special items, that are excluded from Earnings from Ongoing Operations and a reconciliation to PPL's "Net Income" for the periods ended June 30.

	2022 Three Months					
	KY Regulated	PA Regulated	RI Regulated (a)	Corporate and Other	Discontinued Operations (a)	Total
Net Income	\$ 102	\$ 124	\$ (29)	\$ (78)	\$ —	\$ 119
Less: Special Items (expense) benefit:						
Talen litigation costs, net of tax of (\$2) (b)	—	—	—	9	—	9
Strategic corporate initiatives, net of tax of \$1, \$3 (c)	(2)	—	—	(11)	—	(13)
Acquisition integration, net of tax of \$10, \$16 (a)	—	—	(38)	(61)	—	(99)
Total Special Items	(2)	—	(38)	(63)	—	(103)
Earnings from Ongoing Operations	\$ 104	\$ 124	\$ 9	\$ (15)	\$ —	\$ 222

	2021 Three Months					
	KY Regulated	PA Regulated	RI Regulated (a)	Corporate and Other	Discontinued Operations (a)	Total
Net Income	\$ 84	\$ 96	\$ —	\$ (716)	\$ 555	\$ 19
Less: Special Items (expense) benefit:						
Income (Loss) from Discontinued Operations	—	—	—	—	555	555
Talen litigation costs, net of tax of \$1 (b)	—	—	—	(6)	—	(6)
Strategic corporate initiatives, net of tax of \$1 (c)	—	—	—	(2)	—	(2)
Transmission formula rate return on equity reduction, net of tax of \$2	—	(7)	—	—	—	(7)
Acquisition integration, net of tax of \$1 (a)	—	—	—	(2)	—	(2)
U.K. tax rate change (e)	—	—	—	(383)	—	(383)
Solar panel impairment, net of tax of \$9 (g)	—	—	—	(28)	—	(28)
Loss on early extinguishment of debt, net of tax of \$67 (f)	—	—	—	(255)	—	(255)
Total Special Items	—	(7)	—	(676)	555	(128)
Earnings from Ongoing Operations	\$ 84	\$ 103	\$ —	\$ (40)	\$ —	\$ 147

	2022 Six Months					
	KY Regulated	PA Regulated	RI Regulated (a)	Corporate and Other	Discontinued Operations (a)	Total
Net Income	\$ 281	\$ 267	\$ (29)	\$ (127)	\$ —	\$ 392
Less: Special Items (expense) benefit:						
Talen litigation costs, net of tax of \$(1) (b)	—	—	—	5	—	5
Strategic corporate initiatives, net of tax of \$2, \$4 (c)	(6)	—	—	(15)	—	(21)
Acquisition integration, net of tax of \$10, \$22 (a)	—	—	(38)	(82)	—	(120)
Solar panel impairment, net of tax of \$0	—	—	—	1	—	1
Total Special Items	(6)	—	(38)	(91)	—	(135)
Earnings from Ongoing Operations	\$ 287	\$ 267	\$ 9	\$ (36)	\$ —	\$ 527

	2021 Six Months					
	KY Regulated	PA Regulated	RI Regulated (a)	Corporate and Other	Discontinued Operations (a)	Total
Net Income	\$ 230	\$ 209	\$ —	\$ (772)	\$ (1,488)	\$ (1,821)
Less: Special Items (expense) benefit:						
Income (Loss) from Discontinued Operations (a)	—	—	—	—	(1,492)	(1,492)
Talen litigation costs, net of tax of \$2 (b)	—	—	—	(9)	—	(9)
Strategic corporate initiatives, net of tax of \$1 (c)	—	—	—	(2)	—	(2)
Valuation allowance adjustment (d)	4	—	—	(4)	4	4
Transmission formula rate return on equity reduction, net of tax of \$8	—	(20)	—	—	—	(20)
Acquisition integration, net of tax of \$1 (a)	—	—	—	(2)	—	(2)
U.K. tax rate change (e)	—	—	—	(383)	—	(383)
Solar panel impairment, net of tax of \$9 (g)	—	—	—	(28)	—	(28)
Loss on early extinguishment of debt, net of tax of \$67 (f)	—	—	—	(255)	—	(255)
Total Special Items	4	(20)	—	(683)	(1,488)	(2,187)
Earnings from Ongoing Operations	\$ 226	\$ 229	\$ —	\$ (89)	\$ —	\$ 366

- (a) See Note 8 to the Financial Statements for additional information.
- (b) PPL incurred legal expenses and received insurance reimbursement related to litigation with its former affiliate, Talen Montana. See Note 10 to the Financial Statements for additional information.
- (c) Costs incurred in 2022 relate to PPL's strategic repositioning and corporate centralization efforts. Costs incurred for 2021 are related to the sale of the U.K. utility business and PPL's strategic repositioning.
- (d) Adjustment of valuation allowances related to certain tax credits recorded in 2017 as a result of the TCJA.
- (e) Impact of the U.K. Finance Acts on deferred tax balances. See Note 5 to the Financial Statements for more information.
- (f) In June 2021, in connection with the tender offer, PPL Capital Funding retired \$1,962 million combined aggregate principal amount of its outstanding Senior Notes for \$2,293 million aggregate cash purchase price. The loss on extinguishment included the tender premium, bank fees and unamortized fees, hedges and discounts.
- (g) Reflects solar panel write-down due to extension of federal government's solar investment tax credits, technological advances resulting in more efficient modules available on the market, and rising commodity prices for materials used in various solar projects.

Adjusted Gross Margins

Management also utilizes the following non-GAAP financial measures as indicators of performance for its businesses:

- "Kentucky Adjusted Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, as well as the Kentucky Regulated segment's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from operating revenues. In addition, certain other expenses, recorded in "Other operation and maintenance," "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.

- "Pennsylvania Adjusted Gross Margins" is a single financial performance measure of the electricity transmission and distribution operations of the Pennsylvania Regulated segment. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance" (which are primarily Act 129, Storm Damage and Universal Service program costs), "Depreciation" (which is primarily related to the Act 129 Smart Meter program) and "Taxes, other than income" (which is primarily gross receipts tax) on the Statements of Income. This measure represents the net revenues from the Pennsylvania Regulated segment's electricity delivery operations.
- "Rhode Island Adjusted Gross Margins" is a single financial performance measure of the electricity transmission and distribution operations of the Rhode Island Regulated segment, as well as the Rhode Island Regulated segment's distribution and sale of natural gas. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance" (which are primarily energy efficiency and storm cost related) and "Taxes, other than income" (which is primarily gross earnings tax) on the Statements of Income. This measure represents the net revenues from Rhode Island Regulated segment's electricity delivery operations.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations. Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage operations and analyze actual results compared with budget.

Changes in Adjusted Gross Margins

The following table shows Adjusted Gross Margins by PPL's reportable segment and by component, as applicable for the periods ended June 30 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	Three Months			Six Months		
	2022	2021	\$ Change	2022	2021	\$ Change
Kentucky Regulated						
Kentucky Adjusted Gross Margins	\$ 567	\$ 489	\$ 78	\$ 1,226	\$ 1,059	\$ 167
Pennsylvania Regulated						
Pennsylvania Adjusted Gross Margins						
Distribution	\$ 213	\$ 211	\$ 2	\$ 478	\$ 458	\$ 20
Transmission	183	159	24	366	315	51
Total Pennsylvania Adjusted Gross Margins	\$ 396	\$ 370	\$ 26	\$ 844	\$ 773	\$ 71
Rhode Island Regulated						
Rhode Island Adjusted Gross Margins	\$ 70	\$ —	\$ 70	\$ 70	\$ —	\$ 70

Kentucky Adjusted Gross Margins

Kentucky Adjusted Gross Margins increased for the three months ended June 30, 2022 compared with 2021, primarily due to higher base rates of \$47 million, environmental and gas cost recoveries added to base rates of \$33 million, higher sales volumes primarily due to weather of \$9 million, partially offset by \$8 million of lower adjusted gross margins as a result of the economic relief billing credit, net of amortization.

Kentucky Adjusted Gross Margins increased for the six months ended June 30, 2022 compared with 2021, primarily due to higher base rates of \$105 million, environmental and gas cost recoveries added to base rates of \$66 million, higher sales volumes primarily due to weather of \$14 million, partially offset by \$17 million of lower adjusted gross margins as a result of the economic relief billing credit, net of amortization.

The increase in base rates was the result of new rates approved by the KPSC effective July 1, 2021. The environmental and gas cost recoveries added to base rates were the result of the transfer of certain ECR and GLT expenses into base rates as a result of

the 2020 Kentucky rate case. This transfer results in depreciation and other operation and maintenance expenses associated with the ECR and GLT programs being excluded from margins in the first half of 2022, while the recovery of such costs remain in Kentucky Gross Margins through base rates.

Pennsylvania Adjusted Gross Margins

Distribution

Distribution Adjusted Gross Margins increased for the six months ended June 30, 2022 compared with 2021, primarily due to higher sales volumes of \$6 million, favorable weather of \$2 million and higher late payment charges of \$6 million as a result of not charging late payment fees in 2021. The remaining items were not individually significant in comparison to the prior year.

Transmission

Transmission Adjusted Gross Margins increased for the three months ended June 30, 2022 compared with 2021, primarily due to \$12 million as a result of a higher annual PPL zonal peak load billing factor in 2022 and \$8 million of returns on additional transmission capital investments focused on replacing aging infrastructure and improving reliability.

Transmission Adjusted Gross Margins increased for the six months ended June 30, 2022 compared with 2021, primarily due to \$29 million as a result of a higher annual PPL zonal peak load billing factor in 2022 and \$18 million of returns on additional transmission capital investments focused on replacing aging infrastructure and improving reliability.

Rhode Island Adjusted Gross Margins

Rhode Island Adjusted Gross Margins increased for the three and six months ended June 30, 2022 compared with 2021 due to the acquisition of Narragansett Electric on May 25, 2022.

Reconciliation of Adjusted Gross Margins

The following tables contain the components from the Statement of Income that are included in the non-GAAP financial measures and a reconciliation to PPL's "Operating Income" for the periods ended June 30.

	2022 Three Months				
	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Rhode Island Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	\$ 883	\$ 676	\$ 128	\$ 9	\$ 1,696
Operating Expenses					
Fuel	229	—	—	—	229
Energy purchases	50	217	38	—	305
Other operation and maintenance	23	27	16	494	560
Depreciation	13	6	—	270	289
Taxes, other than income	1	30	4	35	70
Total Operating Expenses	316	280	58	799	1,453
Total	\$ 567	\$ 396	\$ 70	\$ (790)	\$ 243

	2021 Three Months				
	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Rhode Island Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	\$ 741	\$ 545	\$ —	\$ 2	\$ 1,288
Operating Expenses					
Fuel	159	—	—	—	159
Energy purchases	27	110	—	—	137
Other operation and maintenance	24	26	—	354	404
Depreciation	41	15	—	213	269
Taxes, other than income	1	24	—	24	49
Total Operating Expenses	252	175	—	591	1,018
Total	\$ 489	\$ 370	\$ —	\$ (589)	\$ 270

	2022 Six Months				
	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Rhode Island Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	\$ 1,887	\$ 1,451	\$ 128	\$ 12	\$ 3,478
Operating Expenses					
Fuel	441	—	—	—	441
Energy purchases	146	473	38	—	657
Other operation and maintenance	47	56	16	874	993
Depreciation	26	12	—	522	560
Taxes, other than income	1	66	4	59	130
Total Operating Expenses	661	607	58	1,455	2,781
Total	\$ 1,226	\$ 844	\$ 70	\$ (1,443)	\$ 697

	2021 Six Months				
	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Rhode Island Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	\$ 1,626	\$ 1,169	\$ —	\$ (9)	\$ 2,786
Operating Expenses					
Fuel	336	—	—	—	336
Energy purchases	98	259	—	—	357
Other operation and maintenance	49	51	—	671	771
Depreciation	81	32	—	423	536
Taxes, other than income	3	54	—	44	101
Total Operating Expenses	567	396	—	1,138	2,101
Total	\$ 1,059	\$ 773	\$ —	\$ (1,147)	\$ 685

- (a) Represents amounts excluded from Adjusted Gross Margins.
(b) As reported on the Statements of Income.

PPL Electric: Statement of Income Analysis

Statement of Income Analysis

Net income for the periods ended June 30 includes the following results.

	Three Months			Six Months		
	2022	2021	\$ Change	2022	2021	\$ Change
Operating Revenues	\$ 676	\$ 537	\$ 139	\$ 1,451	\$ 1,142	\$ 309
Operating Expenses						
Operation						
Energy purchases	218	110	108	474	259	215
Other operation and maintenance	128	125	3	288	253	35
Depreciation	99	109	(10)	197	217	(20)
Taxes, other than income	32	26	6	69	58	11
Total Operating Expenses	477	370	107	1,028	787	241
Other Income (Expense) - net	7	5	2	13	10	3
Interest Income from Affiliate	2	—	2	4	—	4
Interest Expense	40	42	(2)	79	85	(6)
Income Taxes	44	34	10	94	71	23
Net Income	\$ 124	\$ 96	\$ 28	\$ 267	\$ 209	\$ 58

Operating Revenues

The increase (decrease) in operating revenues was due to:

	Three Months	Six Months
Distribution price (a)	\$ (11)	\$ (17)
Distribution volume (b)	(2)	10
PLR (c)	115	229
Transmission formula rate (d)	34	79
Other	3	8
Total	\$ 139	\$ 309

- (a) The decreases were primarily due to reconcilable cost recovery mechanisms approved by the PAPUC.
 (b) The increase for the six months ended June 30, 2022 was due to weather and higher customer volumes.
 (c) The increases were primarily due to higher energy prices, higher customer volumes and lower volumes of shopping customers.
 (d) The increases were due to a higher PPL zonal peak load billing factor in 2022, a revenue reduction recorded due to a challenge to the transmission formula rate return on equity in 2021 and additional returns on transmission capital investments. See Note 6 to the Financial Statements for additional details on the transmission formula rate return on equity reduction.

Energy Purchases

Energy purchases increased \$108 million for the three months ended June 30, 2022 compared with 2021. This increase was primarily due to higher PLR prices of \$87 million and higher PLR volumes of \$18 million.

Energy purchases increased \$215 million for the six months ended June 30, 2022 compared with 2021. This increase was primarily due to higher PLR prices of \$177 million and higher PLR volumes of \$34 million.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	Three Months	Six Months
Support costs	\$ 6	\$ 14
Storm costs	(2)	5
Universal service programs	—	4
Bad debts	—	5
Other	(1)	7
Total	\$ 3	\$ 35

Depreciation

Depreciation decreased \$10 million and \$20 million for the three and six months ended June 30, 2022 compared with 2021, primarily due to decreases in software and computer hardware depreciation as a result of end-of-life retirements.

Income Taxes

Income taxes increased \$10 million and \$23 million for the three and six months ended June 30, 2022 compared with 2021, primarily due to an increase in pre-tax income.

LG&E: Statement of Income Analysis

Statement of Income Analysis

Net income for the periods ended June 30 includes the following results.

	Three Months			Six Months		
	2022	2021	\$ Change	2022	2021	\$ Change
Operating Revenues						
Retail and wholesale	\$ 399	\$ 333	\$ 66	\$ 880	\$ 754	\$ 126
Electric revenue from affiliate	11	9	2	23	16	7
Total Operating Revenues	410	342	68	903	770	133
Operating Expenses						
Operation						
Fuel	90	66	24	171	133	38
Energy purchases	43	23	20	134	89	45
Energy purchases from affiliate	7	3	4	9	8	1
Other operation and maintenance	103	97	6	203	193	10
Depreciation	75	68	7	149	134	15
Taxes, other than income	12	11	1	24	22	2
Total Operating Expenses	330	268	62	690	579	111
Other Income (Expense) - net	4	3	1	3	1	2
Interest Expense	21	20	1	41	41	—
Income Taxes	9	12	(3)	28	31	(3)
Net Income	\$ 54	\$ 45	\$ 9	\$ 147	\$ 120	\$ 27

Operating Revenues

The increase (decrease) in operating revenues was due to:

	Three Months	Six Months
Fuel and other energy prices (a)	\$ 43	\$ 80
Retail rates (b)	21	50
Volumes	10	16
Economic relief billing credit, net of amortization of \$4, \$9	(6)	(12)
Other	—	(1)
Total	<u>\$ 68</u>	<u>\$ 133</u>

(a) The increases were primarily due to higher recoveries of fuel and energy purchases due to higher commodity costs.

(b) The increases were due to new base rates approved by the KPSC effective July 1, 2021.

Fuel

Fuel increased \$24 million and \$38 million for the three and six months ended June 30, 2022 compared with 2021, primarily due to an increase in commodity costs.

Energy Purchases

Energy purchases increased \$20 million and \$45 million for the three and six months ended June 30, 2022 compared with 2021, primarily due to an increase in commodity costs.

Energy Purchases from affiliate

Energy purchases from affiliate increased \$4 million for the three months ended June 30, 2022 compared with 2021, primarily due to an increase in commodity costs.

Other Operation and Maintenance

Other operations and maintenance increased \$6 million for the three months ended June 30, 2022 compared with 2021, primarily due to a \$3 million increase in storm restoration costs and a \$1 million increase in bad debt expense.

Other operations and maintenance increased \$10 million for the six months ended June 30, 2022 compared with 2021, primarily due to a \$6 million increase in storm restoration costs and a \$2 million increase in bad debt expense.

Depreciation

Depreciation increased \$7 million for the three months ended June 30, 2022 compared with 2021, due to a \$4 million increase driven by higher depreciation rates effective July 1, 2021 and a \$3 million increase driven by additional assets placed into service, net of retirements.

Depreciation increased \$15 million for the six months ended June 30, 2022 compared with 2021, due to a \$8 million increase driven by higher depreciation rates effective July 1, 2021 and a \$7 million increase driven by additional assets placed into service, net of retirements.

Income Taxes

Income taxes decreased \$3 million for the three months ended June 30, 2022 compared with 2021, primarily due to higher amortization of unprotected excess deferred income taxes as a result of the economic relief billing credit.

KU: Statement of Income Analysis

Statement of Income Analysis

Net income for the periods ended June 30 includes the following results.

	Three Months			Six Months		
	2022	2021	\$ Change	2022	2021	\$ Change
Operating Revenues						
Retail and wholesale	\$ 484	\$ 408	\$ 76	\$ 1,007	\$ 872	\$ 135
Electric revenue from affiliate	7	3	4	9	8	1
Total Operating Revenues	<u>491</u>	<u>411</u>	<u>80</u>	<u>1,016</u>	<u>880</u>	<u>136</u>
Operating Expenses						
Operation						
Fuel	139	93	46	270	203	67
Energy purchases	7	4	3	12	9	3
Energy purchases from affiliate	11	9	2	23	16	7
Other operation and maintenance	120	111	9	233	226	7
Depreciation	98	90	8	193	179	14
Taxes, other than income	11	11	—	22	21	1
Total Operating Expenses	<u>386</u>	<u>318</u>	<u>68</u>	<u>753</u>	<u>654</u>	<u>99</u>
Other Income (Expense) - net	4	3	1	4	4	—
Interest Expense	28	27	1	55	54	1
Income Taxes	15	13	2	39	34	5
Net Income	<u>\$ 66</u>	<u>\$ 56</u>	<u>\$ 10</u>	<u>\$ 173</u>	<u>\$ 142</u>	<u>\$ 31</u>

Operating Revenues

The increase in operating revenues was due to:

	Three Months	Six Months
Retail rates (a)	\$ 26	\$ 55
Fuel and other energy prices (b)	48	74
Economic relief billing credit, net of amortization of \$1, \$1	(2)	(5)
Volumes	11	11
Other	(3)	1
Total	<u>\$ 80</u>	<u>\$ 136</u>

(a) The increases were due to new base rates approved by the KPSC effective July 1, 2021.

(b) The increases were primarily due to higher recoveries of fuel and energy purchases due to higher commodity costs.

Fuel

Fuel increased \$46 million and \$67 million for the three and six months ended June 30, 2022 compared with 2021, primarily due to an increase in commodity costs.

Energy Purchases

Energy purchases increased \$3 million for the three months ended June 30, 2022 compared with 2021, primarily due to higher volumes.

Other Operation and Maintenance

Other operation and maintenance increased \$9 million for the three months ended June 30, 2022 compared with 2021, primarily due to a \$4 million increase in maintenance due to the timing and scope of plant outages and a \$1 million increase in bad debt expense.

Depreciation

Depreciation increased \$8 million for the three months ended June 30, 2022 compared with 2021, primarily due to a \$3 million increase driven by additional assets placed into service, net of retirements, and a \$4 million increase driven by higher depreciation rates effective July 1, 2021.

Depreciation increased \$14 million for the six months ended June 30, 2022 compared with 2021, primarily due to a \$6 million increase driven by additional assets placed into service, net of retirements, and a \$6 million increase driven by higher depreciation rates effective July 1, 2021.

Financial Condition

The remainder of this Item 2 in this Form 10-Q is presented on a combined basis, providing information, as applicable, for all Registrants.

Liquidity and Capital Resources

(All Registrants)

The Registrants had the following at:

	<u>PPL</u>	<u>PPL Electric</u>	<u>LG&E</u>	<u>KU</u>
<u>June 30, 2022</u>				
Cash and cash equivalents	\$ 336	\$ 29	\$ 18	\$ 17
Short-term debt	988	—	394	338
Long-term debt due within one year	501	474	—	13
Notes payable to affiliates		—	—	—
<u>December 31, 2021</u>				
Cash and cash equivalents	\$ 3,571	\$ 21	\$ 9	\$ 13
Short-term debt	69	—	69	—
Long-term debt due within one year	474	474	—	—
Notes payable to affiliates		—	324	294

(PPL)

The Statements of Cash Flows separately report the cash flows of discontinued operations. The "Operating Activities", "Investing Activities" and "Financing Activities" sections below include only the cash flows of continuing operations.

(All Registrants)

Net cash provided by (used in) operating, investing and financing activities for the six month periods ended June 30, and the changes between periods, were as follows.

	PPL	PPL Electric	LG&E	KU
2022				
Operating activities	\$ 979	\$ 355	\$ 317	\$ 332
Investing activities	(4,683)	(117)	(183)	(273)
Financing activities	469	(230)	(125)	(55)
2021				
Operating activities	\$ 795	\$ 354	\$ 258	\$ 280
Investing activities	9,583	(1,533)	(215)	(266)
Financing activities	(3,556)	1,197	(46)	(29)
Change - Cash Provided (Used)				
Operating activities	\$ 184	\$ 1	\$ 59	\$ 52
Investing activities	(14,266)	1,416	32	(7)
Financing activities	4,025	(1,427)	(79)	(26)

Operating Activities

The components of the change in cash provided by (used in) operating activities for the six months ended June 30, 2022 compared with 2021 were as follows.

	PPL	PPL Electric	LG&E	KU
Change - Cash Provided (Used)				
Net income	\$ 725	\$ 58	\$ 27	\$ 31
Non-cash components	(287)	(38)	(5)	17
Working capital	(314)	(26)	35	7
Defined benefit plan funding	29	21	—	—
Other operating activities	31	(14)	2	(3)
Total	\$ 184	\$ 1	\$ 59	\$ 52

(PPL)

PPL's cash provided by operating activities in 2022 increased \$184 million compared with 2021.

- Net income increased \$725 million between the periods and included a decrease in non-cash charges of \$287 million. The decrease in non-cash charges was primarily due to a decrease in primarily due to the loss on extinguishment of debt and the impairment of solar panels.
- The \$314 million decrease in cash from changes in working capital was primarily due to a decrease in taxes payable and a decrease in regulatory liabilities (primarily due to refunds to customers related to the transmission formula rate return on equity reduction) partially offset by an increase in accounts payable (primarily due to timing).
- The \$29 million decrease in defined benefit plan funding was primarily due to a decrease in contribution to its pension plans in 2022, as PPL's defined benefit pension plans have the option to utilize available prior year credit balances to meet current and future contribution requirements.
- The \$31 million increase in cash provided by other operating activities was primarily due to an increase in regulatory liabilities, a decrease in pension plan assets and an increase in asset retirement obligations partially offset by an increase in regulatory assets and a decrease in accrued pension obligations.

(PPL Electric)

PPL Electric's cash provided by operating activities in 2022 increased \$1 million compared with 2021.

- Net income increased \$58 million between the periods and included a decrease in non-cash components of \$38 million. The decrease in non-cash components was primarily due to a decrease in depreciation expense (primarily related to a decrease in software and computer hardware depreciation as a result of end-of-life retirements).
- The \$26 million decrease in cash from changes in working capital was primarily due to a decrease in regulatory liabilities (primarily due to refunds to customers related to the transmission formula rate return on equity reduction), an

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increase in unbilled revenues (primarily due to weather and rate recovery mechanisms), partially offset by an increase in accounts payable (primarily due to timing) and an increase in counterparty collateral (due to collateral requirements for energy pricing).

- A \$21 million decrease in defined benefit plan funding was primarily due to a decrease in contributions to pension plans in 2022, as PPL Electric's defined benefit pension plans have the option to utilize available prior year credit balances to meet current and future contribution requirements.
- The \$14 million increase in cash provided by other operating activities was driven primarily by a decrease in other assets (primarily related to PPE).

(LG&E)

LG&E's cash provided by operating activities in 2022 increased \$59 million compared with 2021.

- Net income increased \$27 million between the periods and included a decrease in non-cash components of \$5 million. The decrease in non-cash components was driven by a decrease in deferred income tax expense (primarily due to amortization of excess deferred income taxes) and a decrease in amortization expense (primarily due to the amortization of the economic relief billing credit regulatory liability), partially offset by an increase in depreciation expense (primarily due to additional assets placed into service, net of retirements and higher depreciation rates effective July 1, 2021).
- The increase in cash from changes in working capital was primarily due to an increase in other current liabilities (primarily due to timing of payments), a decrease in fuels, materials and supplies (primarily due to higher priced natural gas withdrawn from storage), a decrease in accounts receivable (primarily due collections of higher winter natural gas costs) and an increase in accounts payable (primarily due to timing of payments).

(KU)

KU's cash provided by operating activities in 2022 increased \$52 million compared with 2021.

- Net income increased \$31 million between the periods and included an increase in non-cash components of \$17 million. The increase in non-cash components was driven by an increase in depreciation expense (primarily due to additional assets placed into service, net of retirements and higher depreciation rates effective July 1, 2021).
- The increase in cash from changes in working capital was primarily due to an increase in accounts payable, an increase in other current liabilities and an increase in taxes payable (primarily due to timing of payments) partially offset by an increase in fuels, materials and supplies (primarily due to the accumulation of inventory for upcoming transmission and distribution projects), an increase in unbilled revenues (primarily due to weather and higher commodity costs) and an increase in net regulatory assets (primarily due to the timing of rate recovery mechanisms).

Investing Activities

(All Registrants)

The components of the change in cash provided by (used in) investing activities for the six months ended June 30, 2022 compared with 2021 were as follows.

	PPL	PPL Electric	LG&E	KU
Change - Cash Provided (Used)				
Expenditures for PP&E	\$ (40)	\$ 7	\$ 32	\$ (3)
Acquisition of Narragansett Electric, net of cash acquired	(3,674)	—	—	—
Proceeds from sale of discontinued operations, net of cash divested	(10,560)	—	—	—
Notes receivable from affiliate	—	1,408	—	—
Other investing activities	8	1	—	(4)
Total	\$ (14,266)	\$ 1,416	\$ 32	\$ (7)

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For PPL, the increase in expenditures for PP&E was due to project expenditures at RIE offset by lower project expenditures at PPL Electric and LG&E. The decrease in expenditures at LG&E was primarily due to lower spending on various projects that are not individually significant.

For PPL Electric, the change in "Notes receivable from affiliate" activity resulted from payments received on the short-term note between affiliates in 2022, issued to support general corporate purposes. See Note 11 to the Financial Statements for further discussion of intercompany borrowings.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities for the six months ended June 30, 2022 compared with 2021 were as follows.

	PPL	PPL Electric	LG&E	KU
Change - Cash Provided (Used)				
Debt issuance/retirement, net	\$ 1,729	\$ (650)	\$ —	\$ —
Dividends	187	36	(27)	(48)
Capital contributions/distributions, net	—	(815)	(34)	—
Retirement of term loan	300	—	—	—
Change in short-term debt, net	1,714	—	546	509
Retirement of commercial paper	73	—	41	32
Net increase (decrease) in notes payable with affiliate	—	—	(606)	(520)
Other financing activities	22	2	1	1
Total	\$ 4,025	\$ (1,427)	\$ (79)	\$ (26)

See Note 7 to the Financial Statements in this Form 10-Q for information on 2022 short-term and long-term debt activity, equity transactions and PPL dividends. See Note 8 to the Financial Statements in the Registrants' 2021 Form 10-K for information on 2021 activity.

Credit Facilities

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. Amounts borrowed under these credit facilities are reflected in "Short-term debt" on the Balance Sheets. At June 30, 2022, the total committed borrowing capacity under credit facilities and the borrowings under these facilities were:

External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	\$ 1,350	\$ —	\$ 256	\$ 1,094
PPL Electric Credit Facility	650	—	1	649
LG&E Credit Facilities	500	—	394	106
KU Credit Facilities	400	—	338	62
Total Credit Facilities (a)	\$ 2,900	\$ —	\$ 989	\$ 1,911

(a) The commitments under the credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: PPL - 9%, PPL Electric - 7%, LG&E - 7% and KU - 7%.

See Note 7 to the Financial Statements for further discussion of the Registrants' credit facilities.

Intercompany (LG&E and KU)

	Committed Capacity	Borrowed	Commercial Paper Issued	Unused Capacity
LG&E Money Pool (a)	\$ 750	\$ —	\$ 394	\$ 356
KU Money Pool (a)	650	—	338	312

(a) LG&E and KU participate in an intercompany money pool agreement whereby LKE and/or KU make available to LG&E, and LKE and/or LG&E make available to KU funds up to the difference between LG&E's and KU's FERC borrowing limit and LG&E's and KU's commercial paper issued, at an interest rate based on the lower of a market index of commercial paper issues and two additional rate options based on LIBOR.

See Note 11 to the Financial Statements for further discussion of intercompany credit facilities.

Commercial Paper *(All Registrants)*

The Registrants maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's credit facility. The following commercial paper programs were in place at June 30, 2022:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	\$ 1,350	\$ 256	\$ 1,094
PPL Electric	650	—	650
LG&E	425	394	31
KU	350	338	12
Total PPL	<u>\$ 2,775</u>	<u>\$ 988</u>	<u>\$ 1,787</u>

Long-term Debt *(All Registrants)*

See Note 7 to the Financial Statements for information regarding the Registrants' long-term debt activities.

(PPL)

Equity Securities Activities

Share Repurchase

In August 2021, PPL's Board of Directors authorized share repurchases of up to \$3 billion of PPL common shares. In 2021, PPL repurchased approximately \$1 billion of PPL common shares. There were no share repurchases during the three and six months ended June 30, 2022. The actual additional amounts to be repurchased pursuant to this authority will depend on various factors, including PPL's share price and market conditions. PPL may purchase shares on each trading day subject to market conditions and principles of best execution.

See Note 7 to the Financial Statements for information regarding the Registrants' equity securities activities.

Forecasted Uses of Cash

(PPL)

Capital Expenditures

PPL updated its capital expenditure plan to include RIE upon completion of the acquisition. PPL currently anticipates capital expenditures for RIE of \$450 million in 2022. For the period 2023 through 2024, PPL currently anticipates capital expenditures for RIE of up to approximately \$1.3 billion.

Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions.

Contractual Obligations

PPL has assumed various financial obligations and commitments related to the acquisition of RIE. At June 30, 2022, estimated contractual cash obligations for RIE were as follows:

	Total	2022	2023-2024	2025-2026	After 2026
RIE					
Long-term Debt (a)	\$ 1,516	\$ 14	\$ 2	\$ 1	\$ 1,499
Interest on Long-term Debt (b)	771	31	123	123	494
Operating Leases	24	4	10	6	4
Unconditional Power Purchase Obligations	809	200	216	81	312
Total Contractual Cash Obligations	\$ 3,120	\$ 249	\$ 351	\$ 211	\$ 2,309

(a) Reflects principal maturities based on stated maturity or earlier put dates. See Note 7 to the Financial Statements for more information.

(b) Assumes interest payments through stated maturity or earlier put dates.

Common Stock Dividends

In June 2022, PPL declared a quarterly common stock dividend, payable July 1, 2022, of 22.5 cents per share. Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

Rating Agency Actions

(All Registrants)

Moody's and S&P periodically review the credit ratings of the debt of the Registrants and their subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of the Registrants and their subsidiaries are based on information provided by the Registrants and other sources. The ratings of Moody's and S&P are not a recommendation to buy, sell or hold any securities of the Registrants or their subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities.

The credit ratings of the Registrants and their subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities. A downgrade in the Registrants' or their subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets. The Registrants and their subsidiaries have no credit rating triggers that would result in the reduction of access to capital markets or the acceleration of maturity dates of outstanding debt.

The rating agencies have taken the following actions related to the Registrants and their subsidiaries during 2022:

(PPL)

In June 2022, Moody's affirmed its commercial paper rating for PPL Capital Funding and upgraded the following ratings with a stable outlook:

- the long-term issuer rating from Baa2 to Baa1 for PPL;
- the senior unsecured rating from Baa2 to Baa1 for PPL Capital Funding;
- the junior subordinated rating from Baa3 to Baa2 for PPL Capital Funding; and
- the senior unsecured bank credit facility rating from Baa2 to Baa1 for PPL Capital Funding.

In June 2022, Moody's upgraded the following ratings with a stable outlook:

- the long-term issuer rating from Baa1 to A3 for Narragansett Electric Company;
- the senior unsecured rating from Baa1 to A3 for Narragansett Electric Company; and
- the preferred stock rating from Baa3 to Baa2 for Narragansett Electric Company.

In June 2022, S&P upgraded the following ratings with a stable outlook:

- the long-term issuer rating from BBB+ to A- for Narragansett Electric Company;

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- the senior unsecured rating from BBB+ to A- for Narragansett Electric Company; and
- the preferred stock rating from BBB- to BBB for Narragansett Electric Company.

(PPL and PPL Electric)

In May 2022, S&P upgraded the following ratings with a stable outlook for PPL Electric:

- the long-term issuer credit rating from A- to A;
- the issue-level senior secured rating from A to A+; and
- the short-term and commercial paper ratings from A-2 to A-1.

Ratings Triggers

(PPL, LG&E and KU)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, and interest rate instruments, contain provisions that require the posting of additional collateral or permit the counterparty to terminate the contract, if PPL's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL for derivative contracts in a net liability position at June 30, 2022.

(All Registrants)

For additional information on the Registrants' liquidity and capital resources, see "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Registrants' 2021 Form 10-K.

Risk Management *(All Registrants)*

Market Risk

See Notes 13 and 14 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These are not precise indicators of expected future losses, but are rather only indicators of possible losses under normal market conditions at a given confidence level.

Interest Rate Risk

PPL and its subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. A variety of financial derivative instruments are utilized to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of the debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under PPL's risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolio due to changes in benchmark interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

The following interest rate hedges were outstanding at June 30, 2022.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL and LG&E				
Economic hedges				
Interest rate swaps (c)	\$ 64	\$ (10)	\$ (1)	2033

(a) Includes accrued interest, if applicable.

(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates.

(c) Realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in the fair value of these derivatives are included in regulatory assets or regulatory liabilities.

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates on interest expense at June 30, 2022 was insignificant for PPL, PPL Electric, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at June 30, 2022 is shown below.

	10% Adverse Movement in Rates
PPL	\$ 497
PPL Electric	177
LG&E	85
KU	129

Commodity Price Risk

PPL is exposed to commodity price risk through its subsidiaries as described below.

- PPL Electric is required to purchase electricity to fulfill its obligation as a PLR. Potential commodity price risk is mitigated through its PAPUC-approved cost recovery mechanism and full-requirement supply agreements to serve its PLR customers which transfer the risk to energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel, fuel-related expenses and energy purchases. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.
- RIE utilizes derivative instruments pursuant to its RIPUC-approved plan to manage commodity price risk associated with its natural gas purchases. RIE's commodity risk management strategy is to reduce fluctuations in firm gas sales prices to its customers. RIE's costs associated with derivatives instruments are generally recoverable through its RIPUC-approved cost recovery mechanism. RIE is required to purchase electricity to fulfill its obligation to provide Last Resort Service (LRS). Potential commodity price risk is mitigated through its RIPUC-approved cost recovery mechanisms and full requirements service agreements to serve LRS customers, which transfer the risk to energy suppliers. RIE is required to contract through long-term agreements for clean energy supply under the Rhode Island Renewable Energy Growth program and Long-term Clean Energy Standard. Potential commodity price risk is mitigated through its RIPUC-approved cost recovery mechanisms, which true-up cost differences between contract prices and market prices.

(All Registrants)

Volumetric Risk

Volumetric risk is the risk related to the changes in volume of retail sales due to weather, economic conditions or other factors. PPL is exposed to volumetric risk through its subsidiaries as described below:

- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.
- RIE is exposed to volumetric risk, which is significantly mitigated by regulatory mechanisms. RIE's electric and gas distribution rates both have a revenue decoupling mechanism, which allows for annual adjustments to RIE's delivery rates.

Inflation and Supply Chain Related Risk

PPL and its subsidiaries continue to monitor the impact of inflation and supply chain disruptions. PPL and its subsidiaries monitor the cost of fuel, construction, regulatory and environmental compliance costs and other costs. Mechanisms are in place to mitigate the risk of inflationary effects and supply chain disruptions, to the extent possible, but increased costs and supply chain disruptions may directly or indirectly affect our ongoing operations. These mechanisms include pricing strategies, productivity improvements and cost reductions in order to ensure that the Registrants are able to procure the necessary materials and other resources needed to maintain services in a safe and reliable manner, and to grow infrastructure consistent with the capital expenditure plan. For additional information see "Forward-looking Information" at the beginning of this report and "Item 1A. Risk Factors" of the Registrants' 2021 Form 10-K.

Credit Risk

See Notes 13 and 14 to the Financial Statements in this Form 10-Q and "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Risk Management - Credit Risk" in the Registrants' 2021 Form 10-K for additional information.

Related Party Transactions *(All Registrants)*

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 11 to the Financial Statements for additional information on related party transactions for PPL Electric, LG&E and KU.

Acquisitions, Development and Divestitures *(All Registrants)*

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results. See Note 8 to the Financial Statements for additional information on the share purchase agreement to acquire Narragansett Electric.

Environmental Matters *(All Registrants)*

Extensive federal, state and local environmental laws and regulations are applicable to the Registrants' air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The costs of compliance or alleged non-compliance cannot be predicted with certainty but could be significant. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the costs for their products or their demand for the Registrants' services. Increased capital and operating costs are expected to be subject to rate recovery. The Registrants can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

See "Environmental Matters" in Item 1. "Business" in the Registrants' 2021 Form 10-K for information about environmental laws and regulations affecting the Registrants' business. See "Legal Matters" in Note 10 to the Financial Statements for a discussion of the more significant environmental claims. See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registrants' 2021 Form 10-K for information on projected environmental capital expenditures for 2022 through 2024. See Note 15 to the Financial Statements for information related to the impacts of CCRs on AROs.

The information below represents an update to "Item 1. Business – Environmental Matters – Air – NAAQS" and "Item 1. Business – Environmental Matters – Air – Climate Change" in the Registrants' 2021 Form 10-K.

NAAQS (PPL, LG&E and KU)

In March 2021, the EPA released final revisions to the Cross-State Air Pollution Rule (CSAPR), aimed at ensuring compliance with the 2008 ozone NAAQS and providing for reductions in ozone season nitrogen oxide emissions for 2021 and subsequent years from sources in 12 states, including Kentucky. Additionally, the EPA reversed its previous approval of the Kentucky State Implementation Plan with respect to these requirements. In February 2022, the EPA Administrator released a proposed Federal Implementation Plan under the Good Neighbor provisions of the Clean Air Act providing for significant additional nitrogen oxide emission reductions for compliance with the revised 2015 ozone NAAQS. The proposed reductions in Kentucky state-wide nitrogen oxide budgets are scheduled to commence in 2023, with the largest reductions planned for 2026, based on the installation time frame for certain selective catalytic reduction controls, subject to future specific allowance calculations. PPL, LG&E and KU are currently assessing the potential impact of the proposed Good Neighbor Plan revisions on operations. The current and proposed rules provide for reduced availability of NOx allowances that have historically permitted operational flexibility for fossil units and could potentially result in constraints that may require implementation of additional emission controls or accelerate implementation of lower emission generation technologies. Pursuant to the President's executive order, the EPA is currently reviewing its previous determinations made in December 2020 to retain the existing NAAQS for ozone and particulate matter without change.

PPL, LG&E, and KU are unable to predict future emission reductions that may be required by future federal rules or state implementation actions. Compliance with the NAAQS, CSAPR, Good Neighbor Plan, and related requirements may require installation of additional pollution controls or other compliance actions, inclusive of retirements, the costs of which PPL, LG&E and KU believe would be subject to rate recovery.

Climate Change (All Registrants)

The Biden administration is undertaking wide-ranging efforts to address climate change. Recent government actions and policy developments, including the President's announced goal of a carbon free electricity sector by 2035, could have far-reaching impacts on PPL's business operations, products, and services. On June 30, 2022, the Supreme Court ruled that provisions of the EPA's Clean Power Plan, premised on generation shifting from coal-fired plants to lower emitting natural gas-fired plants and renewables, exceeded the authority granted to the EPA under the Clean Air Act. The EPA has announced that it plans on issuing new greenhouse gas rules in the future. It is uncertain how the Supreme Court ruling may impact future EPA rulemaking. All of these developments are preliminary or ongoing in nature and the Registrants cannot predict their final outcome or ultimate impact on operations.

New Accounting Guidance (All Registrants)

There has been no new accounting guidance adopted in 2022 and there is no new significant accounting guidance pending adoption as of June 30, 2022.

Application of Critical Accounting Policies (All Registrants)

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following table summarizes the accounting policies by Registrant that are particularly important to an understanding of the reported financial condition or results of operations and require management to make estimates or other judgments of matters that are inherently uncertain. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registrants' 2021 Form 10-K for a discussion of each critical accounting policy.

	PPL	PPL Electric	LG&E	KU
Defined Benefits	X	X	X	X
Income Taxes	X	X	X	X
Regulatory Assets and Liabilities	X	X	X	X
Goodwill Impairment	X		X	X
AROs			X	X
Revenue Recognition - Unbilled Revenue	X		X	X

Following is an update to the critical accounting policies disclosed in PPL's 2021 Form 10-K attributable to the acquisition of RIE.

(PPL)

Price Risk Management

See "Financial Condition - Risk Management" above.

Revenue Recognition - Unbilled Revenues

For RIE, revenues related to the sale of energy are recorded when service is rendered or when energy is delivered to customers. Because customers are billed on cycles which vary based on the timing of actual meter reads taken throughout the month, estimates are recorded for unbilled revenues at the end of each reporting period. Such unbilled revenue amounts reflect estimates of deliveries to customers since the date of the last reading of their meters. The unbilled revenue estimates reflect consideration of factors including daily load models, estimated usage for each customer class, the effect of current and different rate schedules, the meter read schedule, the billing schedule, actual weather data, and, where applicable, the impact of weather normalization or other regulatory provisions of rate structures.

**PPL Corporation
PPL Electric Utilities Corporation
Louisville Gas and Electric Company
Kentucky Utilities Company**

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to "Risk Management" in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of June 30, 2022, the Registrants' disclosure controls and procedures are effective to ensure that material information relating to the Registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this quarterly report has been prepared. The principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Change in internal controls over financial reporting.

PPL Corporation

PPL's principal executive officer and principal financial officer have concluded that there was a change in PPL's internal controls over financial reporting (ICFR) resulting from the Narragansett Electric Company transaction during the second fiscal quarter that has materially affected, or is reasonably likely to materially affect, PPL's ICFR. Due to the timing of deal close and Narragansett Electric Company's heavily integrated systems and processes with National Grid, PPL will elect to exclude Narragansett Electric Company from the scope of its Sarbanes-Oxley Act of 2002 §404 ICFR assessment for the year ending December 31, 2022. On a pro forma basis, Narragansett Electric Company would have accounted for approximately 7.7% of PPL's net income for the six months ended June 30, 2022. Narragansett Electric Company represented 18.2% and 12.4% of PPL's consolidated total assets and net assets at June 30, 2022. Other than the Narragansett Electric Company acquisition, PPL's principal executive officer and principal financial officer have concluded there were no other changes in ICFR that have materially affected, or are reasonably likely to materially affect, PPL's ICFR.

PPL Electric Utilities Corporation, Louisville Gas and Electric Company and Kentucky Utilities Company

The Registrants' principal executive officers and principal financial officers have concluded that there were no changes in the Registrants' ICFR during the Registrants' second fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal, tax, regulatory, environmental or other administrative proceedings that became reportable events or were pending in the second quarter of 2022 see:

- "Item 3. Legal Proceedings" in each Registrant's 2021 Form 10-K; and
- Notes 5, 6, 8 and 10 to the Financial Statements.

Item 1A. Risk Factors

There have been no material changes in the Registrants' risk factors from those disclosed in "Item 1A. Risk Factors" of the Registrants' 2021 Form 10-K, except the following:

(PPL)

PPL may not realize the anticipated benefits of the RIE acquisition, which could materially adversely affect PPL's business, financial condition and results of operations.

PPL may not realize the anticipated financial and operational benefits from the RIE acquisition if the business is not integrated in an efficient and effective manner or if integration takes longer than anticipated. These integration risks include potential difficulties in conversion of systems and information, difficulties in harmonizing inconsistencies in standards, controls, procedures, practices and policies, disruption from the acquisition making it more difficult to maintain relationships with customers, employees or suppliers, and diversion of management time and attention to integration and other acquisition-related issues. In addition, PPL has incurred, and will continue to incur, significant costs in connection with the integration, and additional unanticipated costs may arise. No assurance can be given that the anticipated benefits from the acquisition will be achieved or, if achieved, the timing of their achievement. These risks and their consequences could result in increased costs or decreases in the amount of expected revenues, and could have a material adverse effect on PPL's business, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Purchases of PPL Corporation Equity Securities by the Issuer and Affiliated Purchasers (PPL)**

The following table provides information about PPL's purchases of equity securities that are registered by PPL Corporation pursuant to Section 12 of the Exchange Act of 1934 for the quarter ended June 30, 2022:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (a)
April 1 to April 30, 2022	—	\$ —	—	\$ 1,997,876,503
May 1 to May 31, 2022	—	—	—	\$ 1,997,876,503
June 1 to June 30, 2022	—	—	—	\$ 1,997,876,503
Total	—	\$ —	—	\$ 1,997,876,503

(a) PPL Corporation's Board of Directors approved a share repurchase plan in August 2021. See "Equity Securities - Share Repurchase" in Note 7 to the Financial Statements for additional information.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has heretofore been filed with the Commission and pursuant to Rule 12(b)-23 are incorporated herein by reference. Exhibits indicated by a [] are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

- [*4\(a\)-1](#) - Indenture, dated as of March 22, 2010, by The Narragansett Electric Company and The Bank of New York Mellon as Trustee.
- [*4\(a\)-2](#) - First Supplemental Indenture, dated as of March 22, 2010, to said Indenture.
- [*4\(a\)-3](#) - Second Supplemental Indenture, dated as of March 22, 2010, to said Indenture.
- [*4\(a\)-4](#) - Third Supplemental Indenture, dated as of December 10, 2012, to said Indenture.
- [*4\(a\)-5](#) - Fourth Supplemental Indenture, dated as of July 27, 2018, to said Indenture.
- [*4\(a\)-6](#) - Fifth Supplemental Indenture, dated as of April 9, 2020, to said Indenture.
- [10\(a\)](#) - Transition Services Agreement, dated as of May 25, 2022, by and among National Grid USA Service Company, Inc., National Grid USA (solely with respect to Section 4.6) and The Narragansett Electric Company (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 25, 2022).
- [*_10\(b\)](#) - Rhode Island Energy Retirement Plan, effective January 14, 2022.
- [*_10\(c\)](#) - Rhode Island Energy Executive Supplemental Retirement Plan, effective February 24, 2022.

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 30, 2022, filed by the following officers for the following companies:

- [*31\(a\)](#) - PPL Corporation's principal executive officer
- [*31\(b\)](#) - PPL Corporation's principal financial officer
- [*31\(c\)](#) - PPL Electric Utilities Corporation's principal executive officer
- [*31\(d\)](#) - PPL Electric Utilities Corporation's principal financial officer
- [*31\(e\)](#) - Louisville Gas and Electric Company's principal executive officer
- [*31\(f\)](#) - Louisville Gas and Electric Company's principal financial officer
- [*31\(g\)](#) - Kentucky Utilities Company's principal executive officer
- [*31\(h\)](#) - Kentucky Utilities Company's principal financial officer

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 30, 2022, furnished by the following officers for the following companies:

- [*32\(a\)](#) - PPL Corporation's principal executive officer and principal financial officer
- [*32\(b\)](#) - PPL Electric Utilities Corporation's principal executive officer and principal financial officer
- [*32\(c\)](#) - Louisville Gas and Electric Company's principal executive officer and principal financial officer
- [*32\(d\)](#) - Kentucky Utilities Company's principal executive officer and principal financial officer

- 101.INS - XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH - XBRL Taxonomy Extension Schema
- 101.CAL - XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF - XBRL Taxonomy Extension Definition Linkbase
- 101.LAB - XBRL Taxonomy Extension Label Linkbase
- 101.PRE - XBRL Taxonomy Extension Presentation Linkbase
- 104 - The Cover Page Interactive Data File is formatted as Inline XBRL and contained in Exhibits 101.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

PPL Corporation

(Registrant)

Date: August 3, 2022

/s/ Marlene C. Beers

Marlene C. Beers
Vice President and Controller
(Principal Accounting Officer)

PPL Electric Utilities Corporation

(Registrant)

Date: August 3, 2022

/s/ Marlene C. Beers

Marlene C. Beers
Vice President and Controller
(Principal Accounting and Financial Officer)

Louisville Gas and Electric Company

(Registrant)

Kentucky Utilities Company

(Registrant)

Date: August 3, 2022

/s/ Christopher M. Garrett

Christopher M. Garrett
Vice President-Finance and Accounting
(Principal Accounting and Financial Officer)

EXECUTION COPY

SECOND SUPPLEMENTAL INDENTURE

among

THE NARRAGANSETT ELECTRIC COMPANY

as Issuer,

and

THE BANK OF NEW YORK MELLON,

as Trustee and Paying Agent

March 22, 2010

\$300,000,000

5.638% SENIOR NOTES DUE 2040

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THIS SECOND SUPPLEMENTAL INDENTURE, dated as of March 22, 2010, between The Narragansett Electric Company, a Rhode Island company (the “**Issuer**”), and The Bank of New York Mellon, a New York banking corporation duly organized and existing under the laws of the State of New York, as trustee (the “**Trustee**”) and paying agent (the “**Paying Agent**”).

WHEREAS, the Issuer has heretofore entered into an Indenture, dated as of March 22, 2010 (the “**Original Indenture**”), with the Trustee;

WHEREAS, the Original Indenture, as supplemented by this Supplemental Indenture, is herein called the “**Indenture**”;

WHEREAS, pursuant to Section 3.1 of the Original Indenture, the Issuer proposes to create a new series of Securities under the Indenture;

WHEREAS, the Issuer hereby resolves to issue Designated Securities (as such term is defined in Section 2.1 hereof) in an aggregate principal amount of \$300,000,000 and with the terms and conditions set forth in this Supplemental Indenture; and

WHEREAS, all things necessary to make this Supplemental Indenture a valid agreement of the Issuer, in accordance with its terms, have been done;

NOW, THEREFORE, for and in consideration of the premises and the purchases of the Designated Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of Designated Securities, as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.1. *Definitions.* For all purposes of this Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (b) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
- (c) unless the context otherwise requires, any reference to an “**Article**” or a “**Section**” refers to an Article or a Section, as the case may be, of this Supplemental Indenture;
- (d) the words “**herein**”, “**hereof**” and “**hereunder**” and other words of similar import refer to this Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision; and

(e) all terms used but not defined in this Supplemental Indenture, which are defined in the Original Indenture, shall have the meanings assigned to them in the Original Indenture.

“Additional Designated Securities” has the meaning ascribed in Section 2.2.

“Applicable Procedures” means, with respect to any transfer or exchange of or for beneficial interests in any Global Security, the rules and procedures of the Depository, Euroclear and/or Clearstream that apply to such transfer or exchange.

“Business Day” means each day which is not a Legal Holiday.

“Clearstream” means Clearstream Banking, Société Anonyme, and its successors.

“Definitive Security” means a certificated Designated Security registered in the name of the Holder thereof and issued in accordance with Section 2.9 hereof, substantially in the form of Exhibit A hereto, except that such Designated Security shall not bear the Global Security Legend and shall not have the “Schedule of Exchanges of Interests in the Global Security” attached thereto.

“Depository” means The Depository Trust Company and its successors.

“Designated Securities” has the meaning ascribed in Section 2.1.

“Euroclear” means Euroclear Bank, S.A./N.V., as operator of the Euroclear system.

“Global Security Legend” means the legend set forth in Section 2.9(f)(ii) hereof, which is required to be placed on all Global Securities issued under this Supplemental Indenture.

“Global Securities” means, individually and collectively, each of the Restricted Global Securities and the Unrestricted Global Securities deposited with or on behalf of and registered in the name of the Depository or its nominee, substantially in the form of Exhibit A hereto, and that bears the Global Security Legend and that has the “Schedule of Exchanges of Interests in the Global Security” attached thereto, issued in accordance with the Indenture.

“Indirect Participant” means a Person who holds a beneficial interest in a Global Security through a Participant.

“Initial Designated Securities” has the meaning ascribed in Section 2.2.

“Interest Payment Date” has the meaning ascribed in Section 2.4(b).

“Issue Date” means March 22, 2010.

“Legal Holiday” means a Saturday, a Sunday or a day on which commercial banking institutions are not required to be open in the State of New York.

“Non-U.S. Person” means a Person who is not a U.S. Person.

“Participant” means, with respect to the Depository, Euroclear or Clearstream, a Person who has an account with the Depository, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

“Private Placement Legend” means the legend set forth in Section 2.09(f)(i) hereof.

“QIB” means a “qualified institutional buyer” as defined in Rule 144A.

“Regular Record Date” means, with respect to the applicable Interest Payment Date, the close of business on the preceding March 1 or September 1, as the case may be.

“Regulation S” means Regulation S promulgated under the Securities Act.

“Regulation S Global Security” means a Regulation S Temporary Global Security or Regulation S Permanent Global Security, as appropriate.

“Regulation S Permanent Global Security” means a permanent Global Security in the form of Exhibit A hereto, bearing the Global Security Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depository or its nominee, issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Security upon expiration of the Restricted Period.

“Regulation S Temporary Global Security” means a temporary Global Security in the form of Exhibit A hereto, bearing the Global Security Legend, the Private Placement Legend and the Regulation S Temporary Global Security Legend and deposited with or on behalf of and registered in the name of the Depository or its nominee, issued in a denomination equal to the outstanding principal amount of the Designated Securities initially sold in reliance on Rule 903.

“Regulation S Temporary Global Security Legend” means the legend set forth in Section 2.09(f)(iii) hereof.

“Restricted Definitive Security” means a Definitive Security bearing the Private Placement Legend.

“Restricted Global Security” means a Global Security bearing the Private Placement Legend.

“Restricted Period” means the 40-day distribution compliance period as defined in Regulation S.

“**Rule 144**” means Rule 144 promulgated under the Securities Act.

“**Rule 144A**” means Rule 144A promulgated under the Securities Act.

“**Rule 903**” means Rule 903 promulgated under the Securities Act.

“**Rule 904**” means Rule 904 promulgated under the Securities Act.

“**Stated Maturity**” means March 15, 2040.

“**Supplemental Indenture**” means this instrument as originally executed or as it may from time to time be supplemented or amended in accordance with the terms of the Indenture.

“**Unrestricted Definitive Security**” means one or more Definitive Securities that do not bear and are not required to bear the Private Placement Legend.

“**Unrestricted Global Security**” means a permanent Global Security, substantially in the form of Exhibit A attached hereto, that bears the Global Security Legend and that has the “Schedule of Exchanges of Interests in the Global Security” attached thereto, and that is deposited with or on behalf of and registered in the name of the Depository, representing Global Securities that do not bear and are not required to bear the Private Placement Legend.

“**U.S. Person**” means a U.S. person as defined in Rule 902(k) promulgated under the Securities Act.

SECTION 1.2. *Conflict with Trust Indenture Act.* If and to the extent that any provision of this Supplemental Indenture limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under the Trust Indenture Act to be a part of and govern this Supplemental Indenture, the latter provision shall control. If any provision of this Supplemental Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the former provision shall control.

SECTION 1.3. *Effect of Headings and Table of Contents.* The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.4. *Successors and Assigns.* All covenants and agreements in this Supplemental Indenture by the Issuer shall bind its successors and assigns, whether so expressed or not.

SECTION 1.5. *Separability Clause.* In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.6. *Benefits of Supplemental Indenture.* Nothing in the Indenture or the Designated Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders of Designated Securities, any benefit or any legal or equitable right, remedy or claim under the Indenture.

SECTION 1.7. *Governing Law.* This Supplemental Indenture and the Designated Securities shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 1.8. *Execution in Counterparts.* This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 1.9. *Recitals by the Issuer.* The recitals in this Supplemental Indenture are made by the Issuer only and not by the Trustee, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of the Designated Securities and of this Supplemental Indenture as fully and with like effect as if set forth herein in full.

SECTION 1.10. *Ratification and Incorporation of Original Indenture.* As supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture and this Supplemental Indenture shall be read, taken and construed as one and the same instrument.

ARTICLE 2 DESIGNATED SECURITIES

SECTION 2.1. *Creation of Designated Securities.* There is hereby created a new series of Securities to be issued under the Indenture, to be designated as “5.638% Senior Notes due 2040” (the “**Designated Securities**”).

SECTION 2.2. *Aggregate Principal Amount of Designated Securities.* The aggregate principal amount of the Designated Securities shall initially be limited to \$300,000,000 (except for Designated Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Designated Securities pursuant to Section 3.6, 3.7, 3.10 or 10.6 of the Original Indenture and except for any Designated Securities which, pursuant to Section 3.3 of the Original Indenture, are deemed never to have been authenticated and delivered under the Indenture) (the “**Initial Designated Securities**”). The Issuer may create and issue an unlimited amount of additional Designated Securities from time to time, without notice to or the consent of the Holders of Designated Securities, having the same terms and conditions in all material respects as the Initial Designated Securities (“**Additional Designated Securities**”). Any Additional Designated Securities shall be consolidated with and form a single class with the Initial Designated Securities and have the same terms as to status, redemption or

otherwise as the Initial Designated Securities. Additional Designated Securities issued with the same CUSIP, ISIN or other identifying number as the CUSIP, ISIN or other identifying number of the Initial Designated Securities shall be issued with no more than a *de minimis* amount of original issue discount, or as part of a qualified reopening, in each case for U.S. federal income tax purposes. Unless the context otherwise requires, references to “Designated Securities” for all purposes of this Supplemental Indenture include the Initial Designated Securities and any Additional Designated Securities actually issued.

SECTION 2.3. *Payment of Principal.* The principal of the Outstanding Designated Securities shall be due and payable at the Stated Maturity.

SECTION 2.4. *Interest and Interest Rate.*

- (a) The Designated Securities will bear interest at 5.638% per annum from the Issue Date until Maturity.
- (b) The Issuer will pay interest on the Designated Securities semi-annually in arrears on March 15 and September 15 of each year, commencing September 15, 2010, until Maturity, and at Maturity (each an “**Interest Payment Date**”).
- (c) Interest on the Designated Securities will be computed on the basis of a 360-day year comprised of twelve 30-day months. Except as described below for the first Interest Payment Date, on each Interest Payment Date, the Issuer will pay interest on the Designated Securities for the period commencing on and including the immediately preceding Interest Payment Date and ending on and excluding such Interest Payment Date.
- (d) On the first Interest Payment Date, the Issuer will pay interest for the period commencing on and including the Issue Date and ending on and excluding the first Interest Payment Date.
- (e) If any Interest Payment Date falls on a day that is not a Business Day, the interest payment shall be postponed to the next day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.
- (f) If the Maturity of any Designated Security is not a Business Day, payment of principal, premium, if any, and interest on the applicable Designated Security will be made on the next succeeding day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.
- (g) Interest on each Designated Security will be paid only to the Person in whose name such Designated Security was registered at the close of business on the Regular Record Date for the applicable Interest Payment Date.

SECTION 2.5. *Paying Agent.*

(a) Upon the terms and subject to the conditions contained herein, the Issuer hereby appoints The Bank of New York Mellon as the initial Paying Agent under the Indenture for the purpose of performing the functions of the Paying Agent with respect to the Designated Securities.

(b) The Paying Agent shall exercise due care in performing the functions of the Paying Agent for the Designated Securities.

(c) The Paying Agent accepts its obligations set forth herein, upon the terms and subject to the conditions hereof, including the following, to all of which the Issuer agrees:

(i) The Paying Agent shall be entitled to such compensation as may be agreed in writing with the Issuer for all services rendered by the Paying Agent, and the Issuer promises to pay such compensation and to reimburse the Paying Agent for the reasonable out-of-pocket expenses (including reasonable counsel fees and expenses) properly incurred by it in connection with the services rendered by it hereunder upon receipt of such invoices as the Issuer shall reasonably require. The Issuer agrees to indemnify the Paying Agent (which for purposes of this subsection shall include its directors, officers, employees and agents) for, and to hold it harmless against, any and all loss, liability, damage, claims or reasonable expenses (including the costs and expenses of defending against any claim of liability) properly incurred by the Paying Agent that arises out of or in connection with its acting as Paying Agent hereunder, except such as may result from the negligence, willful misconduct or bad faith of the Paying Agent or any of its agents or employees. The Paying Agent shall incur no liability and shall be indemnified and held harmless by the Issuer for, or in respect of, any action taken or omitted by it in good faith in reliance upon written instructions from the Issuer. The provisions of this paragraph shall survive the termination of this Supplemental Indenture and the resignation or removal of the Paying Agent.

(ii) In acting under the Indenture and in connection with the Designated Securities, the Paying Agent is acting solely as agent of the Issuer and does not assume any obligations to, or relationship of agency or trust for or with, any of the Holders of the Designated Securities.

(iii) The Paying Agent shall be protected and shall incur no liability for or in respect of any action taken or omitted to be taken or anything suffered by it in reliance upon the terms of the Designated Securities or any document, including any resolution, Officer's Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon or security (whether in original or

facsimile form), believed by it to be genuine and to have been signed or presented by the proper party or parties.

(iv) The duties and obligations of the Paying Agent shall be determined solely by the express provisions of the Indenture, and the Paying Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Paying Agent.

(v) Unless herein otherwise specifically provided, any request, direction, order or demand of the Issuer mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed).

(vi) The Paying Agent may, upon obtaining the prior written consent of the Issuer (which consent shall not be unreasonably withheld) perform any duties hereunder either directly or by or through agents or attorneys not regularly in its employ, and the Paying Agent shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder.

(vii) Sections 7.2(c), 7.2(e), 7.2(i) and 7.2(j) of the Original Indenture are also deemed applicable to the Paying Agent.

(viii) None of the provisions hereunder shall require the Paying Agent to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.

(ix) In no event shall the Paying Agent be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused by, directly or indirectly, forces beyond its reasonable control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services; it being understood that the Paying Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(d) (i) The Paying Agent may at any time resign as Paying Agent by giving written notice to the Issuer of such intention on its part, specifying

the date on which its desired resignation shall become effective; *provided, however*, that such date shall not be earlier than 60 days after the receipt of such notice by the Issuer, unless the Issuer agrees in writing to accept less notice. The Paying Agent may be removed (with or without cause) at any time by the filing with it of any instrument in writing signed on behalf of the Issuer by any proper officer or an authorized person thereof and specifying such removal and the date when it is intended to become effective (such date shall not be earlier than 60 days after the receipt of such instrument by the Paying Agent, unless otherwise agreed by the parties), subject to (if such Paying Agent is not also the Trustee) the written consent of the Trustee, which consent shall not be unreasonably withheld. Notwithstanding the provisions of this Section 2.1(d)(i), such resignation or removal shall take effect only upon the date of the appointment by the Issuer, as hereinafter provided, and the acceptance thereof, of a successor Paying Agent. If within 30 days after notice of resignation or removal has been received, a successor Paying Agent has not been appointed, the Paying Agent may petition a court of competent jurisdiction to appoint a successor Paying Agent at the Issuer's cost, as per Section 2.5(c)(i) hereof. A successor Paying Agent shall be appointed by the Issuer by an instrument in writing signed on behalf of the Issuer by any proper officer or an authorized person thereof and the successor Paying Agent. Upon the appointment of a successor Paying Agent and acceptance by it of such appointment, the Paying Agent so succeeded shall cease to be such Paying Agent hereunder. Upon its resignation or removal, the Paying Agent shall be entitled to the payment by the Issuer of its compensation, if any is owed to it, for services rendered hereunder and to the reimbursement of all reasonable and properly incurred out-of-pocket expenses incurred in connection with the services rendered by it hereunder, in each case as per Section 2.5(c)(i) hereof.

(ii) Any successor Paying Agent appointed hereunder shall execute and deliver to its predecessor and to the Issuer an instrument accepting such appointment hereunder, and thereupon such successor Paying Agent, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of such predecessor with like effect as if originally named as such Paying Agent hereunder, and such predecessor, upon payment by the Issuer of its charges and disbursements then unpaid, shall thereupon become obliged to transfer and deliver, and such successor Paying Agent shall be entitled to receive, copies of any relevant records maintained by such predecessor Paying Agent.

(iii) Any Person into which the Paying Agent may be merged or converted or with which the Paying Agent may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Paying Agent shall be a party, or any Person succeeding to all or

substantially all of the assets and business of the Paying Agent, or all or substantially all of the corporate trust business of the Paying Agent shall, to the extent permitted by applicable law and provided that it shall have an established place of business in New York, New York, be the successor Paying Agent under the Indenture without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notice of any such merger, conversion, consolidation or sale shall be given to the Issuer as promptly as practicable following such merger, conversion, consolidation or sale.

(iv) Any notice required to be given by the Paying Agent to any other Person hereunder shall be given in accordance with Section 13.5 of the Original Indenture. Any notice to be given to the Paying Agent shall be delivered in person, sent by first class mail or overnight air courier guaranteeing next day delivery or communicated by facsimile, to the following address (or to any other address of which the Paying Agent shall have notified the Issuer in writing): The Bank of New York Mellon, Corporate Trust Services, One Canada Square, London E14 5AL, United Kingdom, Fax: +44-(0)20-7964-2536, Attention: Corporate Trust Services, with a copy to: The Bank of New York Mellon, Global Trust Services, 101 Barclay Street, New York, New York, Fax: (212) 815-5366. All notices shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five calendar days after being deposited in the mail, postage prepaid, if mailed by first-class mail; when receipt acknowledged, if faxed; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

SECTION 2.6. *Place of Payment.* The place or places where, subject to the provisions of Section 4.2 of the Original Indenture, the principal of, premium, if any, and interest, if any, on the Designated Securities shall be payable, Designated Securities may be surrendered for registration, transfer or exchange and notices and demands to or upon the Issuer in respect of the Designated Securities and the Indenture may be served shall be the Corporate Trust Office of the Trustee in the United States.

SECTION 2.7. *Denominations.* The Designated Securities shall be issued in denominations of \$1,000 and integral multiples of \$1,000.

SECTION 2.8. *Form; Terms.*

(a) The Designated Securities shall be substantially in the form of Exhibit A. The Designated Securities may have notations, legends or endorsements required by law, stock exchange rules or usage.

(b) Designated Securities issued in global form shall be substantially in the form of Exhibit A (including the Global Security Legend thereon and the "Schedule of Exchanges of Interests in the Global Security" attached thereto).

Designated Securities issued in definitive form shall be substantially in the form of Exhibit A attached hereto (but without, in each case, the Global Security Legend thereon and without the “Schedule of Exchanges of Interests in the Global Security” attached thereto). Each Global Security shall represent such of the outstanding Designated Securities as shall be specified in the “Schedule of Exchanges of Interests in the Global Security” attached thereto and each shall provide that it shall represent up to the aggregate principal amount of Designated Securities from time to time endorsed thereon and that the aggregate principal amount of outstanding Designated Securities represented thereby may from time to time be reduced or increased, as applicable, to reflect exchanges and redemptions. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Designated Securities represented thereby shall be made by the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.9 hereof.

(c) Designated Securities offered and sold in reliance on Regulation S shall be issued initially in the form of the Regulation S Temporary Global Security, which shall be deposited on behalf of the purchasers of the Designated Securities represented thereby with the Trustee, as custodian for the Depository, and registered in the name of the Depository or the nominee of the Depository for the accounts of designated agents holding on behalf of Euroclear or Clearstream, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The Restricted Period shall be terminated upon the receipt by the Trustee of:

(i) a written certificate from the Depository (if available), together with copies of certificates from Euroclear and Clearstream (if available) certifying that they have received certification of non-United States beneficial ownership of 100% of the aggregate principal amount of each Regulation S Temporary Global Security (except to the extent of any beneficial owners thereof who acquired an interest therein during the Restricted Period pursuant to another exemption from registration under the Securities Act and who shall take delivery of a beneficial ownership interest in a 144A Global Security bearing a Private Placement Legend, all as contemplated by Section 2.9(b) hereof); and

(ii) an Officer’s Certificate from the Issuer.

Following the termination of the Restricted Period, beneficial interests in each Regulation S Temporary Global Security shall be exchanged for beneficial interests in the Regulation S Permanent Global Security of the same series pursuant to the Applicable Procedures. Simultaneously with the authentication of the corresponding Regulation S Permanent Global Security, the Trustee shall cancel the corresponding Regulation S Temporary Global Security. The aggregate principal amount of a Regulation S Temporary Global Security and the Regulation S Permanent Global Security may from time to time be increased or

decreased by adjustments made on the records of the Trustee and the Depository or its nominee, as the case may be, in connection with transfers of interest as hereinafter provided.

(d) The terms and provisions contained in the Designated Securities shall constitute, and are hereby expressly made, a part of the Indenture, and the Issuer and the Trustee, by their execution and delivery of this Supplemental Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Designated Security conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

(e) The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "General Terms and Conditions of Clearstream Banking" and "Customer Handbook" of Clearstream shall be applicable to transfers of beneficial interests in the Regulation S Temporary Global Security and the Regulation S Permanent Global Securities that are held by Participants through Euroclear or Clearstream.

SECTION 2.9. *Transfer and Exchange.* The transfer or exchange of Designated Securities shall be effected in accordance with Section 3.6 of the Original Indenture and this Section 2.9.

(a) Transfer and Exchange of Global Securities. Except as otherwise set forth in this Section 2.9, a Global Security may be transferred, in whole and not in part, only to another nominee of the Depository or to a successor Depository or a nominee of such successor Depository. A beneficial interest in a Global Security may not be exchanged for a Definitive Security unless (i) the Depository (x) notifies the Issuer that it is unwilling or unable to continue as Depository for such Global Security or (y) has ceased to be a clearing agency registered under the Exchange Act and, in either case, a successor Depository is not appointed by the Issuer within 120 days or (ii) there shall have occurred and be continuing a Default with respect to the Designated Securities. Upon the occurrence of any of the preceding events in (i) or (ii) above, Definitive Securities delivered in exchange for any Global Security or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the Depository (in accordance with its customary procedures). Global Securities also may be exchanged or replaced, in whole or in part, as provided in Sections 3.7 and 3.10 of the Original Indenture. Every Designated Security authenticated and delivered in exchange for, or in lieu of, a Global Security or any portion thereof, pursuant to this Section 2.9 or Section 3.7 of the Original Indenture or 3.10 of the Original Indenture, shall be authenticated and delivered in the form of, and shall be, a Global Security, except for Definitive Securities issued subsequent to any of the preceding events in (i) or (ii) above and pursuant to Section 2.9(c) hereof. A Global Security may not be exchanged for another Designated Security other than as provided in this Section 2.9(a); provided,

however, beneficial interests in a Global Security may be transferred and exchanged as provided in Section 2.9(b), (c) or (d) hereof.

(b) Transfer and Exchange of Beneficial Interests in the Global Securities. The transfer and exchange of beneficial interests in the Global Securities shall be effected through the Depository, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Securities shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Securities also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(i) Transfer of Beneficial Interests in the Same Global Security. Beneficial interests in any Restricted Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Security in accordance with the transfer restrictions set forth in the Private Placement Legend; provided, however, that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Regulation S Temporary Global Security may not be made to a U.S. Person or for the account or benefit of a U.S. Person. Beneficial interests in any Unrestricted Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Security. No written orders or instructions shall be required to be delivered to the Securities Registrar to effect the transfers described in this Section 2.9(b)(i).

(ii) All Other Transfers and Exchanges of Beneficial Interests in Global Securities. In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.9(b)(i) hereof, the transferor of such beneficial interest must deliver to the Securities Registrar either (A) both (1) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to credit or cause to be credited a beneficial interest in another Global Security in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B) both (1) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to cause to be issued a Definitive Security of the same series in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depository to the Securities Registrar containing information regarding the Person in whose name such Definitive Security shall be registered to effect the transfer or exchange referred to in (1) above; provided that in no

event shall Definitive Securities be issued upon the transfer or exchange of beneficial interests in the Regulation S Temporary Global Security prior to (A) the expiration of the Restricted Period and (B) the receipt by the Securities Registrar of any certificates required pursuant to Rule 903. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Securities contained in this Indenture and the Designated Securities or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Securities pursuant to Section 2.9(g) hereof.

(iii) Transfer of Beneficial Interests to Another Restricted Global Security. A beneficial interest in any Restricted Global Security may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Security if the transfer complies with the requirements of Section 2.9(b)(ii) hereof and the Securities Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in a 144A Global Security, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; or

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Security, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.

(iv) Transfer and Exchange of Beneficial Interests in a Restricted Global Security for Beneficial Interests in an Unrestricted Global Security. A beneficial interest in any Restricted Global Security may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Security or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security if the exchange or transfer complies with the requirements of Section 2.9(b)(ii) hereof and the Securities Registrar receives the following:

(A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Security of the same series, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(B) if the holder of such beneficial interest in a Restricted Global Security proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial

interest in an Unrestricted Global Security of the same series, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in subparagraph (A) or (B), if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to clause (iv) above at a time when an Unrestricted Global Security has not yet been issued, the Issuer shall issue and, upon receipt of a Company Order in accordance with Section 3.3 of the Original Indenture, the Trustee shall authenticate one or more Unrestricted Global Securities in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (A) or (B) above.

Beneficial interests in an Unrestricted Global Security cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Security.

(c) Transfer or Exchange of Beneficial Interests for Definitive Securities.

(i) Beneficial Interests in Restricted Global Securities to Restricted Definitive Securities. If any holder of a beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a Restricted Definitive Security or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Security, then, upon the occurrence of any of the events in paragraph (i) or (ii) of Section 2.9(a) hereof and receipt by the Securities Registrar of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a Restricted Definitive Security, a certificate from such holder substantially in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or

Rule 904, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such beneficial interest is being transferred to the Issuer or any of its Restricted Subsidiaries, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(F) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Security to be reduced accordingly pursuant to Section 2.9(g) hereof, and the Issuer shall execute and the Trustee shall authenticate and mail to the Person designated in the instructions a Definitive Security in the applicable principal amount. Any Definitive Security issued in exchange for a beneficial interest in a Restricted Global Security pursuant to this Section 2.9(c)(i) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Securities Registrar through instructions from the Depository and the Participant or Indirect Participant. The Trustee shall mail such Definitive Securities to the Persons in whose names such Designated Securities are so registered at the address appearing in the Securities Register. Any Definitive Security issued in exchange for a beneficial interest in a Restricted Global Security pursuant to this Section 2.9(c)(i) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(ii) Beneficial Interests in Regulation S Temporary Global Security to Definitive Securities. Notwithstanding Sections 2.9(c)(i)(A) and (C) hereof, a beneficial interest in the Regulation S Temporary Global Security may not be exchanged for a Definitive Security or transferred to a Person who takes delivery thereof in the form of a Definitive Security prior to (A) the expiration of the Restricted Period and (B) the receipt by the Securities Registrar of any certificates required pursuant to Rule 903 of the Securities Act, except in the case of a transfer pursuant to an exemption from the registration requirements of the Securities Act other than Rule 903 or Rule 904.

(iii) Beneficial Interests in Restricted Global Securities to Unrestricted Definitive Securities. A holder of a beneficial interest in a Restricted

Global Security may exchange such beneficial interest for an Unrestricted Definitive Security or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Security only upon the occurrence of any of the events in subsection (i) or (ii) of Section 2.9(a) hereof and if the Securities Registrar receives the following:

(A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for an Unrestricted Definitive Security, a certificate from such holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(B) if the holder of such beneficial interest in a Restricted Global Security proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Security, a certificate from such holder substantially in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (A) or (B) above, if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(iv) Beneficial Interests in Unrestricted Global Securities to Unrestricted Definitive Securities. If any holder of a beneficial interest in an Unrestricted Global Security proposes to exchange such beneficial interest for a Definitive Security or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Security, then, upon the occurrence of any of the events in subsection (i) or (ii) of Section 2.9(a) hereof and satisfaction of the conditions set forth in Section 2.9(b)(ii) hereof, the Trustee shall cause the aggregate principal amount of the applicable Global Security to be reduced accordingly pursuant to Section 2.9(g) hereof, and the Issuer shall execute and the Trustee shall authenticate and mail to the Person designated in the instructions a Definitive Security in the applicable principal amount. Any Definitive Security issued in exchange for a beneficial interest pursuant to this Section 2.9(c)(iv) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Securities Registrar through instructions from or through the Depository and the Participant or Indirect Participant. The Trustee shall mail such Definitive Securities to the Persons in whose names such Securities are so registered. Any Definitive

Security issued in exchange for a beneficial interest pursuant to this Section 2.9(c)(iv) shall not bear the Private Placement Legend.

(d) Transfer and Exchange of Definitive Securities for Beneficial Interests.

(i) Restricted Definitive Securities to Beneficial Interests in Restricted Global Securities. If any Holder of a Restricted Definitive Security proposes to exchange such Designated Security for a beneficial interest in a Restricted Global Security or to transfer such Restricted Definitive Security to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Security, then, upon receipt by the Securities Registrar of the following documentation:

(A) if the Holder of such Restricted Definitive Security proposes to exchange such Designated Security for a beneficial interest in a Restricted Global Security, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Security is being transferred to a QIB in accordance with Rule 144A, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such Restricted Definitive Security is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such Restricted Definitive Security is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such Restricted Definitive Security is being transferred to the Issuer or any of its Restricted Subsidiaries, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(F) if such Restricted Definitive Security is being transferred pursuant to an effective registration statement under the Securities Act, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cancel the Restricted Definitive Security, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the

applicable Restricted Global Security, in the case of clause (B) above, the applicable 144A Global Security, and in the case of clause (C) above, the applicable Regulation S Global Security.

(ii) Restricted Definitive Securities to Beneficial Interests in Unrestricted Global Securities. A Holder of a Restricted Definitive Security may exchange such Designated Security for a beneficial interest in an Unrestricted Global Security or transfer such Restricted Definitive Security to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security only if the Securities Registrar receives the following:

(A) if the Holder of such Definitive Securities proposes to exchange such Designated Securities for a beneficial interest in the Unrestricted Global Security, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(B) if the Holder of such Definitive Securities proposes to transfer such Designated Securities to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Security, a certificate from such Holder substantially in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subsection (A) or (B) above, if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.9(d)(ii), the Trustee shall cancel the Definitive Securities and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Security.

(iii) Unrestricted Definitive Securities to Beneficial Interests in Unrestricted Global Securities. A Holder of an Unrestricted Definitive Security may exchange such Designated Security for a beneficial interest in an Unrestricted Global Security or transfer such Definitive Securities to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security at any time. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the applicable Unrestricted Definitive Security and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Securities.

If any such exchange or transfer from a Definitive Security to a beneficial interest is effected pursuant to clauses (ii) or (iii) above at a time when an Unrestricted Global Security has not yet been issued, the Issuer shall issue and, upon receipt of a Company Order in accordance with Section 3.3 of the Original Indenture, the Trustee shall authenticate one or more Unrestricted Global Securities in an aggregate principal amount equal to the principal amount of Definitive Securities so transferred.

(e) Transfer and Exchange of Definitive Securities for Definitive Securities. Upon request by a Holder of Definitive Securities and such Holder's compliance with the provisions of this Section 2.9(e), the Securities Registrar shall register the transfer or exchange of Definitive Securities. Prior to such registration of transfer or exchange, the requesting Holder shall present or surrender to the Securities Registrar the Definitive Securities duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Securities Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.9(e):

(i) Restricted Definitive Securities to Restricted Definitive Securities. Any Restricted Definitive Security may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Security if the Securities Registrar receives the following:

(A) if the transfer will be made to a QIB in accordance with Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; or

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications required by item (3) thereof, if applicable.

(ii) Restricted Definitive Securities to Unrestricted Definitive Securities. Any Restricted Definitive Security may be exchanged by the Holder thereof for an Unrestricted Definitive Security or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Security if the Securities Registrar receives the following:

(A) if the Holder of such Restricted Definitive Securities proposes to exchange such Designated Securities for an Unrestricted Definitive Security, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(B) if the Holder of such Restricted Definitive Securities proposes to transfer such Designated Securities to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Security, a certificate from such Holder substantially in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subsection (A) or (B) above, if the Securities Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(iii) Unrestricted Definitive Securities to Unrestricted Definitive Securities. A Holder of Unrestricted Definitive Securities may transfer such Designated Securities to a Person who takes delivery thereof in the form of an Unrestricted Definitive Security. Upon receipt of a request to register such a transfer, the Securities Registrar shall register the Unrestricted Definitive Securities pursuant to the instructions from the Holder thereof.

(f) Legends. The following legends shall appear on the face of all Global Securities and Definitive Securities issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture:

(i) Private Placement Legend.

(A) Except as permitted by subparagraph (B) below, each Global Security and each Definitive Security (and all Designated Securities issued in exchange therefor or substitution therefor) shall bear the legend in substantially the following form:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN

RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT WITHIN ONE YEAR AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE NARRAGANSETT ELECTRIC COMPANY OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT, AN "ACCREDITED INVESTOR") THAT, PRIOR TO SUCH TRANSFER, FURNISHES (OR HAS FURNISHED ON ITS BEHALF BY A U.S. BROKER-DEALER) TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE FOR THIS SECURITY), (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE NARRAGANSETT ELECTRIC COMPANY SO REQUESTS), OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF THE SECURITY EVIDENCED HEREBY. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN ONE YEAR AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY, IF THE PROPOSED TRANSFEREE IS AN ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND THE NARRAGANSETT ELECTRIC

COMPANY SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS ANY OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATIONS UNDER THE SECURITIES ACT."

(B) Notwithstanding the foregoing, any Global Security or Definitive Security issued pursuant to subparagraph (b)(iv), (c)(iii), (c)(iv), (d)(ii), (d)(iii), (e)(ii) or (e)(iii) of this Section 2.9 (and all Designated Securities issued in exchange therefor or substitution thereof) shall not bear the Private Placement Legend.

(ii) Global Security Legend. Each Global Security shall bear a legend in substantially the following form:

"THIS GLOBAL SECURITY IS HELD BY THE DEPOSITORY (AS DEFINED IN THE INDENTURE GOVERNING THIS SECURITY) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.9(g) OF THE SUPPLEMENTAL INDENTURE, (II) THIS GLOBAL SECURITY MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.9(a) OF THE SUPPLEMENTAL INDENTURE, (III) THIS GLOBAL SECURITY MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 3.9 OF THE ORIGINAL INDENTURE AND (IV) THIS GLOBAL SECURITY MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITORY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUER.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY

TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”) TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.”

(iii) Regulation S Temporary Global Security Legend. The Regulation S Temporary Global Security shall bear a legend in substantially the following form:

“BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON, NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON, AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.”

(g) Cancellation and/or Adjustment of Global Securities. At such time as all beneficial interests in a particular Global Security have been exchanged for Definitive Securities or a particular Global Security has been redeemed, repurchased or canceled in whole and not in part, each such Global Security shall be returned to or retained and canceled by the Trustee in accordance with Section 3.9 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Security is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security or for Definitive Securities, the principal amount of Securities represented by such Global Security shall be reduced accordingly and an endorsement shall be made on such Global Security by the Trustee or by the Depository at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security, such other Global Security shall be increased accordingly and an endorsement shall be made on such Global Security by the Trustee or by the Depository at the direction of the Trustee to reflect such increase.

(h) Automatic Exchange from Restricted Global Security to Unrestricted Global Security. At the option of the Issuer and upon compliance with the following procedures, beneficial interests in a Restricted Global Security shall be exchanged for beneficial interests in an Unrestricted Global Security. In order to

effect such exchange, the Issuer shall provide written notice to the Trustee instructing the Trustee to (i) direct the Depository to transfer the specified amount of the outstanding beneficial interests in a particular Restricted Global Security to an Unrestricted Global Security and provide the Depository with all such information as is necessary for the Depository to appropriately credit and debit the relevant Holder accounts and (ii) provide prior written notice to all Holders of such exchange, which notice must include the date such exchange is proposed to occur, the CUSIP number of the relevant Restricted Global Security and the CUSIP number of the Unrestricted Global Security into which such Holders' beneficial interests will be exchanged. As a condition to any such exchange pursuant to this Section 2.9(h), the Trustee shall be entitled to receive from the Issuer, and rely conclusively without any liability, upon an Officer's Certificate and an Opinion of Counsel to the Issuer, in form and in substance reasonably satisfactory to the Trustee, to the effect that such transfer of beneficial interests to the Unrestricted Global Security shall be effected in compliance with the Securities Act. The Issuer may request from Holders such information it reasonably determines is required in order to be able to deliver such Officer's Certificate and Opinion of Counsel. Upon such exchange of beneficial interests pursuant to this Section 2.9(h), the Securities Registrar shall reflect on its books and records the date of such transfer and a decrease and increase, respectively, in the principal amount of the applicable Restricted Global Securities and the Unrestricted Global Securities, respectively, equal to the principal amount of beneficial interests transferred. Following any such transfer pursuant to this Section 2.9(h) of all of the beneficial interests in a Restricted Global Security, such Restricted Global Security shall be cancelled.

(i) Transfers of Securities Held by Affiliates. Any certificate (i) evidencing a Designated Security that has been transferred to an affiliate (as defined in Rule 405 of the Securities Act) of the Issuer, as evidenced by a notation on the certificate of transfer and certificate of exchange for such transfer or in the representation letter delivered in respect thereof or (ii) evidencing a Designated Security that has been acquired from an affiliate (other than by an affiliate) in a transaction or a chain of transactions not involving any public offering, shall, until one year after the last date on which either the Issuer or any affiliate of the Issuer was an owner of such Designated Security, in each case, be in the form of a permanent definitive security and bear the private placement legend subject to the restrictions in this Section 2.9. The Securities Registrar shall retain copies of all letters, notices and other written communications received pursuant to this Section 2.9. The Issuer, at its sole cost and expense, shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable advance written notice to the Trustee.

IN WITNESS WHEREOF, each of the parties hereto has caused this Supplemental Indenture to be duly executed on its behalf as of the date first above written.

THE NARRAGANSETT ELECTRIC COMPANY,
as Issuer

By: M.C. Cooper
Name: Malcolm Cooper
Title: Treasurer

Signed for and on behalf of
THE BANK OF NEW YORK MELLON,
as Trustee and Paying Agent

By: _____
Name:
Title:

IN WITNESS WHEREOF, each of the parties hereto has caused this Supplemental Indenture to be duly executed on its behalf as of the date first above written.

THE NARRAGANSETT ELECTRIC COMPANY,
as Issuer

By: _____
Name: Malcolm Cooper
Title: Treasurer

Signed for and on behalf of
THE BANK OF NEW YORK MELLON,
as Trustee and Paying Agent

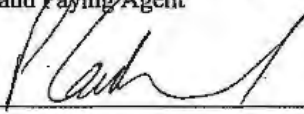
By:  _____
Name: **Paul Cattermole**
Title: **Vice President**

EXHIBIT A

FORM DESIGNATED SECURITY

[Face of Designated Security]

[Insert Global Security Legend, if applicable pursuant to the provisions of the Supplemental Indenture.]

[Insert Private Placement Legend, if applicable pursuant to the provisions of the Supplemental Indenture.]

[Insert Regulation S Temporary Global Security Legend, if applicable pursuant to the provisions of the Supplemental Indenture.]

CUSIP []]
ISIN []]

THE NARRAGANSETT ELECTRIC COMPANY

5.638% Senior Notes due 2040

No. ____

[\$ _____]

THE NARRAGANSETT ELECTRIC COMPANY, a Rhode Island company (the "Issuer"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum [of \$ _____] [set forth on the Schedule of Exchanges of Interests in the Global Security attached hereto] on March 15, 2040 and to pay interest thereon from March 22, 2010 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on March 15 and September 15 of each year, commencing September 15, 2010, at the rate of 5.638% per annum until Maturity, and at Maturity.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Except as described below for the first Interest Payment Date, on each Interest Payment Date, the Issuer will pay interest on the Designated Securities for the period commencing on and including the immediately preceding Interest Payment Date and ending on and excluding such Interest Payment Date. On the first Interest Payment Date, the Issuer will pay interest for the period commencing on and including the Issue Date and ending on and excluding the first Interest Payment Date. If any Interest Payment Date falls on a day that is not a Business Day, the interest payment shall be postponed to the next day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day. If the Maturity of any Designated Security is not a Business Day, payment of principal, premium, if any, and interest on the applicable Designated Security will be made on the next succeeding day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name the Designated Securities represented hereby (or one or more Predecessor Securities) are registered at the close of business on the Regular Record Date for such Interest Payment Date, which shall be the March 1 or September 1, as the case may be, preceding the applicable Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name the Designated Securities represented hereby (or one or more Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by or on behalf of the Company, notice whereof shall be given to Holders of Designated Securities not less than 15 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Designated Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

The Bank of New York Mellon shall initially act as Trustee and as Paying Agent with respect to the Designated Securities.

Reference is hereby made to the further provisions of the Designated Securities set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee, directly or through an Authenticating Agent, by manual signature of an authorized signatory, the Designated Securities represented hereby shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed manually or in facsimile.

Dated:

THE NARRAGANSETT ELECTRIC COMPANY

By: _____

Name:

Title:

CERTIFICATE OF AUTHENTICATION

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

Dated:

Signed for and on behalf of
The Bank of New York Mellon,
as Trustee

By: _____

Authorized Signatory

[Reverse of Designated Security]

THE NARRAGANSETT ELECTRIC COMPANY

This Designated Security represents a duly authorized issue of 5.638% Senior Notes due 2040 (the “**Designated Securities**”), issued under an Indenture, dated as of March 22, 2010 (the “**Original Indenture**”), between the Issuer and The Bank of New York Mellon, as Trustee (the “**Trustee**,” which term includes any successor trustee under the Indenture), as supplemented with respect to the Designated Securities by the Second Supplemental Indenture, dated as of March 22, 2010, between the Issuer and The Bank of New York Mellon, as Trustee and Paying Agent (together with the Original Indenture, the “**Indenture**”). Reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Issuer, the Trustee and the Holders of the Designated Securities and of the terms upon which the Designated Securities are, and are to be, authenticated and delivered.

At any time and from time to time, the Issuer may redeem all or a part of the Designated Securities, upon not less than 30 nor more than 60 days’ prior notice mailed by first-class mail to the registered address of each Holder of Designated Securities or otherwise in accordance with the procedures of the Depository, at a Redemption Price equal to the greater of (1) 100% of the principal amount of the Designated Securities redeemed and (2) the present value at such Redemption Date of (i) the principal amount of such Designated Securities on the Redemption Date, plus (ii) all required interest payments due on such Designated Securities through March 15, 2040, computed using a discount rate equal to the Treasury Rate determined on the third Business Day preceding the date notice of such optional redemption is to be given plus 20 basis points, plus, in each case, accrued and unpaid interest, if any, to the Redemption Date, subject to the rights of Holders of Designated Securities on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date.

“**Treasury Rate**” means, as of any Redemption Date, the yield to maturity as of such Redemption Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Redemption Date to March 15, 2040; provided, however, that if the period from the Redemption Date to March 15, 2040 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

If an Event of Default with respect to the Designated Securities shall occur and be continuing, principal of, premium, if any, and accrued but unpaid interest on the Designated Securities may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the

Issuer and the Trustee with the consent of the Holders of a majority in principal amount of the securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of the Designated Securities represented by this Designated Security shall be conclusive and binding upon such Holder and upon all future Holders of the Designated Securities represented by this Designated Security and of the Designated Securities represented by any Designated Security issued upon the registration of transfer of the Designated Securities represented by this Designated Security or in exchange thereof or in lieu thereof, whether or not notation of such consent or waiver is made upon this Designated Security.

No reference herein to the Indenture and no provision of the Designated Securities or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of, premium, if any, and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal or premium or any overdue interest, on the Designated Securities at the rate or rates herein prescribed.

As provided in the Indenture, the Issuer shall cause to be kept at the Corporate Trust Office of the Trustee a Register in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Designated Securities and of transfers of Designated Securities.

No service charge shall be made for any such registration of transfer or exchange, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange, other than as set forth in the Indenture.

Prior to due presentment of this Designated Security for registration of transfer of any Designated Security represented hereby, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Designated Security is registered as the owner of this Designated Security for the purpose of receiving payment of principal of and any premium and (subject to Section 3.8 of the Original Indenture) any interest on such Security and for all other purposes whatsoever, whether or not this Designated Security be overdue, and neither the Issuer, the Trustee nor any agent of the Issuer or the Trustee shall be affected by notice to the contrary.

THE INDENTURE AND THE DESIGNATED SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

All capitalized terms used herein which are not otherwise defined herein shall have the meanings assigned to them in the Indenture.

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL SECURITY¹

The initial outstanding principal amount of this Global Security is \$ _____ . The following exchanges of a part of this Global Security for an interest in another Global Security or for a Definitive Security, or exchanges of a part of another Global or Definitive Security for an interest in this Global Security, have been made:

<u>Date of Exchange</u>	<u>Amount of decrease in Principal Amount</u>	<u>Amount of increase in Principal Amount of this Global Note</u>	<u>Principal Amount of this Global Note following each decrease or increase</u>	<u>Signature of authorized officer of Trustee or Custodian</u>
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¹ This schedule should be included only if the Designated Security is issued in global form.

FORM OF CERTIFICATE OF TRANSFER

c/o The Narragansett Electric Company
 280 Melrose Street
 Providence, Rhode Island 02907
 Attention: Treasurer

The Bank of New York Mellon
 Corporate Trust Services
 One Canada Square
 London E14 5AL
 United Kingdom
 Facsimile No.: +44-(0)20-7964-2536
 Attention: Corporate Trust Services

Re: 5.638% Senior Notes due 2040

Reference is hereby made to the Indenture, dated as of March 22, 2010, between The Narragansett Electric Company and the Trustee, as supplemented by the Second Supplemental Indenture, dated as of March 22, 2010, between The Narragansett Electric Company and the Trustee (the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____ (the "Transferor") owns and proposes to transfer the Designated Securities or interests in such Designated Securities specified in Annex A hereto, in the principal amount of \$ _____ in such Designated Securities or interests (the "Transfer"), to _____ (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. **Check if Transferee will take delivery of a beneficial interest in the 144A Global Security or a Definitive Security pursuant to Rule 144A.** The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Security is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Definitive Security for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States.

2. **Check if Transferee will take delivery of a beneficial interest in the Regulation S Global Security or a Definitive Security pursuant to Regulation S.** The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the

Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will be subject to the restrictions on Transfer enumerated in the Indenture and the Securities Act.

3. **Check and complete if Transferee will take delivery of a beneficial interest in the Definitive Security pursuant to any provision of the Securities Act other than Rule 144A or Regulation S.** The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Securities and Restricted Definitive Securities and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

OR

(b) such Transfer is being effected to the Issuer or a subsidiary thereof;

OR

(c) such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act.

4. **Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Security or of an Unrestricted Definitive Security.**

(a) **Check if Transfer is Pursuant to Rule 144.** (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will no longer be subject to the restrictions on

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transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities, on Restricted Definitive Securities and in the Indenture.

(b) **Check if Transfer is Pursuant to Regulation S.** (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities, on Restricted Definitive Securities and in the Indenture.

(c) **Check if Transfer is Pursuant to Other Exemption.** (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities or Restricted Definitive Securities and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer.

[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

- (a) a beneficial interest in the:
- (i) 144A Global Security (CUSIP [] []), or
- (ii) Regulation S Global Security (CUSIP [] []), or
- (b) a Restricted Definitive Security.
2. After the Transfer the Transferee will hold:

[CHECK ONE]

- (a) a beneficial interest in the:
- (i) 144A Global Security (CUSIP [] []), or
- (ii) Regulation S Global Security (CUSIP [] []), or
- (iii) Unrestricted Global Security (CUSIP [] []);
- or
- (b) a Restricted Definitive Security; or
- (c) an Unrestricted Definitive Security, in accordance with the terms of the Indenture.

FORM OF CERTIFICATE OF EXCHANGE

c/o The Narragansett Electric Company
 280 Melrose Street
 Providence, Rhode Island 02907
 Attention: Treasurer

The Bank of New York Mellon
 Corporate Trust Services
 One Canada Square
 London E14 5AL
 United Kingdom
 Facsimile No.: +44-(0)20-7964-2536
 Attention: Corporate Trust Services

Re: 5.638% Senior Notes due 2040

Reference is hereby made to the Indenture, dated as of March 22, 2010, between The Narragansett Electric Company and the Trustee, as supplemented by the Second Supplemental Indenture, dated as of March 22, 2010, between The Narragansett Electric Company and the Trustee (the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____ (the "Owner") owns and proposes to exchange the Designated Securities or interests in such Designated Securities specified herein, in the principal amount of \$ _____ in such Designated Securities or interests (the "Exchange"). In connection with the Exchange, the Owner hereby certifies that:

1. **Exchange of Restricted Definitive Securities or Beneficial Interests in a Restricted Global Security for Unrestricted Definitive Securities or Beneficial Interests in an Unrestricted Global Security.**

(a) **Check if Exchange is from beneficial interest in a Restricted Global Security to beneficial interest in an Unrestricted Global Security.** In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Security for a beneficial interest in an Unrestricted Global Security in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Security and pursuant to and in accordance with the United States Securities Act of 1933, as amended (the "Securities Act"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) **Check if Exchange is from beneficial interest in a Restricted Global Security to Unrestricted Definitive Security.** In connection with the Exchange of the

Owner's beneficial interest in a Restricted Global Security for an Unrestricted Definitive Security, the Owner hereby certifies (i) the Definitive Security is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) **Check if Exchange is from Restricted Definitive Security to beneficial interest in an Unrestricted Global Security.** In connection with the Owner's Exchange of a Restricted Definitive Security for a beneficial interest in an Unrestricted Global Security, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) **Check if Exchange is from Restricted Definitive Security to Unrestricted Definitive Security.** In connection with the Owner's Exchange of a Restricted Definitive Security for an Unrestricted Definitive Security, the Owner hereby certifies (i) the Unrestricted Definitive Security is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. **Exchange of Restricted Definitive Securities or Beneficial Interests in Restricted Global Securities for Restricted Definitive Securities or Beneficial Interests in Restricted Global Securities.**

(a) **Check if Exchange is from beneficial interest in a Restricted Global Security to Restricted Definitive Security.** In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Security for a Restricted Definitive Security with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Security is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Security issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Security and in the Indenture and the Securities Act.

(b) **Check if Exchange is from Restricted Definitive Security to beneficial interest in a Restricted Global Security.** In connection with the Exchange of the

Owner's Restricted Definitive Security for a beneficial interest in the [CHECK ONE] 144A Global Security Regulation S Global Security, with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Securities and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Security and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and are dated _____.

[Insert Name of Transferor]

By: _____

Name:

Title:

Dated: _____

FIFTH SUPPLEMENTAL INDENTURE

April 9, 2020

between

THE NARRAGANSETT ELECTRIC COMPANY,
as Company

and

THE BANK OF NEW YORK MELLON,
acting through its London Branch,
as Trustee and Paying Agent

and

THE BANK OF NEW YORK MELLON,
as Securities Registrar

\$600,000,000
3.395% Senior Notes due 2030

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This Fifth Supplemental Indenture, dated as of April 9, 2020 (the “Fifth Supplemental Indenture”), between The Narragansett Electric Company, a Rhode Island company (the “Company”), and The Bank of New York Mellon, a New York banking corporation duly organized and existing under the laws of the State of New York, acting through its London Branch, as trustee (the “Trustee”) and paying agent (the “Paying Agent”), and The Bank of New York Mellon, as registrar (the “Securities Registrar”).

Whereas:

- (A) the Company has heretofore entered into an Indenture, dated as of March 22, 2010 (the “Base Indenture”), a First Supplemental Indenture, dated as of March 22, 2010 (the “First Supplemental Indenture”), a Second Supplemental Indenture, dated as of March 22, 2010 (the “Second Supplemental Indenture”), a Third Supplemental Indenture, dated as of December 10, 2012 (the “Third Supplemental Indenture”), and a Fourth Supplemental Indenture, dated as of July 27, 2018 (the “Fourth Supplemental Indenture”), with the Trustee;
- (B) the Company wishes to make certain changes to the Base Indenture as it relates to future issuances (including the Securities to be created under this Fifth Supplemental Indenture), and the Base Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and this Fifth Supplemental Indenture, is herein called the “Indenture”;
- (C) pursuant to Sections 3.1 and 10.1 of the Base Indenture, the Company proposes to create a new series of Securities under the Indenture;
- (D) the Company hereby resolves to issue the Designated Securities (as such term is defined in Section 3.1 hereof) in an aggregate principal amount of \$600,000,000 and with the terms and conditions set forth in this Fifth Supplemental Indenture; and
- (E) all things necessary to make this Fifth Supplemental Indenture a valid agreement of the Company, in accordance with its terms, have been done;

Now, therefore, for and in consideration of the premises and the purchases of the Designated Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of Designated Securities, as follows:

ARTICLE I
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions

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

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

- (b) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
- (c) unless the context otherwise requires, any reference to an “Article” or a “Section” refers to an Article or a Section, as the case may be, of this Fifth Supplemental Indenture;
- (d) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Fifth Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision; and
- (e) all terms used but not defined in this Fifth Supplemental Indenture, which are defined in the Base Indenture, shall have the meanings assigned to them in the Base Indenture.

“Additional Designated Securities” has the meaning ascribed in Section 3.2.

“Applicable Procedures” means, with respect to any transfer or exchange of or for beneficial interests in any Global Security, the rules and procedures of the Depository, Euroclear and/or Clearstream, Luxembourg that apply to such transfer or exchange.

“Business Day” means each day which is not a Legal Holiday.

“Clearstream, Luxembourg” means Clearstream Banking, Société Anonyme, and its successors.

“Definitive Security” means a certificated Designated Security registered in the name of the Holder thereof and issued in accordance with Section 3.10 hereof, substantially in the form of Exhibit A hereto, except that such Designated Security shall not bear the Global Security Legend and shall not have the “Schedule of Exchanges of Interests in the Global Security” attached thereto.

“Depository” means The Depository Trust Company and its successors.

“Designated Securities” has the meaning ascribed in Section 3.1.

“Euroclear” means Euroclear Bank, S.A./N.V., as operator of the Euroclear System.

“Fifth Supplemental Indenture” means this instrument as originally executed or as it may from time to time be supplemented or amended in accordance with the terms of the Base Indenture.

“Global Security Legend” means the legend set forth in Section 3.10(f)(ii) hereof, which is required to be placed on all Global Securities issued under this Fifth Supplemental Indenture.

“Global Securities” means, individually and collectively, each of the Restricted Global Securities and the Unrestricted Global Securities deposited with or on behalf of and

registered in the name of the Depository or its nominee, substantially in the form of Exhibit A hereto, and that bears the Global Security Legend and that has the “Schedule of Exchanges of Interests in the Global Security” attached thereto, issued in accordance with the Indenture.

“Indirect Participant” means a Person who holds a beneficial interest in a Global Security through a Participant.

“Initial Designated Securities” has the meaning ascribed in Section 3.2.

“Interest Payment Date” has the meaning ascribed in Section 3.4(b).

“Issue Date” means April 9, 2020.

“Legal Holiday” means a Saturday, a Sunday or a day on which commercial banking institutions are not required to be open in the State of New York.

“Non-U.S. Person” means a Person who is not a U.S. Person.

“Participant” means, with respect to the Depository, Euroclear or Clearstream, Luxembourg, a Person who has an account with the Depository, Euroclear or Clearstream, Luxembourg, respectively (and, with respect to DTC, shall include Euroclear and Clearstream, Luxembourg, as Indirect Participant).

“Private Placement Legend” means the legend set forth in Section 3.10(f)(i) hereof.

“QIB” means a “qualified institutional buyer” as defined in Rule 144A.

“Regular Record Date” means, with respect to the applicable Interest Payment Date, the close of business on the preceding March 25 and September 25, as the case may be.

“Regulation S” means Regulation S promulgated under the Securities Act.

“Regulation S Global Security” means a Regulation S Temporary Global Security or Regulation S Permanent Global Security, as appropriate.

“Regulation S Permanent Global Security” means a permanent Global Security in the form of Exhibit A hereto, bearing the Global Security Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depository or its nominee, issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Security upon expiration of the Restricted Period.

“Regulation S Temporary Global Security” means a temporary Global Security in the form of Exhibit A hereto, bearing the Global Security Legend, the Private Placement Legend and the Regulation S Temporary Global Security Legend and deposited with or on behalf of and registered in the name of the Depository or its nominee, issued in a denomination equal to the outstanding principal amount of the Designated Securities initially sold in reliance on Rule 903.

“Regulation S Temporary Global Security Legend” means the legend set forth in Section 3.10(f)(iii) hereof.

“Restricted Definitive Security” means a Definitive Security bearing the Private Placement Legend.

“Restricted Global Security” means a Global Security bearing the Private Placement Legend.

“Restricted Period” means the 40-day distribution compliance period as defined in Regulation S.

“Rule 144” means Rule 144 promulgated under the Securities Act.

“Rule 144A” means Rule 144A promulgated under the Securities Act.

“Rule 903” means Rule 903 promulgated under the Securities Act.

“Rule 904” means Rule 904 promulgated under the Securities Act.

“Stated Maturity” means April 9, 2030.

“Unrestricted Definitive Security” means one or more Definitive Securities that do not bear and are not required to bear the Private Placement Legend.

“Unrestricted Global Security” means a permanent Global Security, substantially in the form of Exhibit A hereto, that bears the Global Security Legend and that has the “Schedule of Exchanges of Interests in the Global Security” attached thereto, and that is deposited with or on behalf of and registered in the name of the Depository, representing Global Securities that do not bear and are not required to bear the Private Placement Legend.

“U.S. Person” means a U.S. person as defined in Rule 902(k) promulgated under the Securities Act.

Section 1.2 Conflict with Trust Indenture Act

If and to the extent that any provision of this Fifth Supplemental Indenture limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under the Trust Indenture Act to be a part of and govern this Fifth Supplemental Indenture, the latter provision shall control. If any provision of this Fifth Supplemental Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the former provision shall control.

Section 1.3 Effect of Headings and Table of Contents

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

Section 1.4 Successors and Assigns

All covenants and agreements in this Fifth Supplemental Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 1.5 Separability Clause

In case any provision in this Fifth Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.6 Benefits of Fifth Supplemental Indenture

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

Section 1.7 Governing Law

This Fifth Supplemental Indenture and the Designated Securities shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 1.8 Execution in Counterparts

This Fifth Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument, and signature pages may be delivered by facsimile, electronic mail (including any electronic signature complying with the U.S. federal ESIGN Act of 2000, Uniform Electronic Transaction Act, the New York Electronic Signatures and Records Act (N.Y. State Tech. §§ 301-309), as amended from time to time, or other applicable law) or other transmission method.

Section 1.9 Recitals by the Company

The recitals in this Fifth Supplemental Indenture are made by the Company only and not by the Trustee, and all of the provisions contained in the Base Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of the Designated Securities and of this Fifth Supplemental Indenture as fully and with like effect as if set forth herein in full.

Section 1.10 Ratification and Incorporation of Base Indenture

As supplemented hereby, the Base Indenture is in all respects ratified and confirmed, and the Base Indenture and this Fifth Supplemental Indenture shall be read, taken and construed as one and the same instrument.

Section 1.11 Subsequent Amendments

To the extent any provision of the Base Indenture is amended or modified by this Fifth Supplemental Indenture, such amendment or modification shall supersede any amendment or modification to such provision effected by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture or the Fourth Supplemental Indenture in respect of any series of Securities issued under the Base Indenture on or after the date hereof.

**ARTICLE II
AMENDMENTS TO THE BASE INDENTURE**

Section 2.1 Certain Terms Defined

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 1.1 of the Base Indenture is hereby amended in part to amend and restate the following definition in its entirety, which shall read as follows:

Section 1.1 Certain Terms Defined

“Corporate Trust Office” means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered, which office, on the date of original execution of this Indenture, is located at The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, United Kingdom, Fax: +44-(0)20-7964- 2536, Attention: Corporate Trust Administration with a copy to: The Bank of New York Mellon, 240 Greenwich Street, Floor 7-E, New York, New York 10286, Attention: Corporate Trust Administration or at any other time at such other address as the Trustee may designate from time to time by notice to the parties hereto, or at the principal corporate trust office of any successor trustee as to which such successor trustee may notify the parties hereto in writing.

Section 2.2 Certificate of Authentication

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 3.5 of the Base Indenture is hereby amended and restated in its entirety as follows:

Section 3.5 Certificate of Authentication

No Security shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form hereinbefore recited, executed by or on behalf of the Trustee or an Authenticating Agent by manual or electronic signature. Such certificate by or on behalf of the Trustee or an Authenticating Agent upon any Security executed by the Company shall be conclusive evidence

that the Security so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

Section 2.3 Compensation and Indemnification of Trustee and Its Prior Claim

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 7.6 of the Base Indenture is hereby amended and restated in its entirety as follows:

Section 7.6 Compensation and Indemnification of Trustee and Its Prior Claim

The Company covenants and agrees to pay the Trustee (including in its roles as Paying Agent and Securities Registrar, as applicable) from time to time, and the Trustee shall be entitled to such compensation as the Company and the Trustee may from time to time agree in writing for all services rendered by the Trustee hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and the Company covenants and agrees to pay or reimburse the Trustee (and its counsel) and each predecessor trustee upon its request for all reasonable and properly incurred expenses, disbursements and advances incurred or made by or on behalf of it in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all agents and other Persons not regularly in its employ) except any such expense, disbursement or advance as shall be attributable to its negligence or bad faith. The Company also covenants to indemnify the Trustee (which for purposes of this Section 7.6 shall be deemed to include the Paying Agent and Securities Registrar, and which for purposes of this Section 7.6 shall be deemed to include its directors, officers, employees and agents) and each predecessor trustee for, and hold it harmless against, any loss, liability, damage, claims or expense, including taxes (other than taxes measured by the income of the Trustee or otherwise applicable to the Trustee for operations outside the scope of this Indenture) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Indenture or the trusts hereunder and the performance of its duties hereunder, including the costs and expenses of defending itself against or investigating any claim of liability in connection with the exercise or performance of any of its powers or duties hereunder except to the extent that any such loss, liability, damage, claims or expense shall be attributable to the Trustee's negligence or bad faith. The obligations of the Company under this Section to compensate and indemnify the Trustee (including in its roles as Paying Agent and Securities Registrar, as applicable), (and its counsel) and each predecessor trustee and to pay or reimburse the Trustee and each predecessor trustee for expenses, disbursements and advances shall constitute additional obligations hereunder until the Maturity of all Securities issued under this Indenture and shall survive the resignation or removal of the Trustee or any termination of the Indenture under any bankruptcy law. Whenever the Trustee renders services under Sections 6.1(d) and (e) hereof the parties hereto acknowledge that those services are intended to constitute expenses of

administration under any bankruptcy law. Such additional obligations shall be secured by a Lien prior to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of particular Securities.

Section 2.4 Addresses for Notices

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 13.5 of the Base Indenture is hereby amended and restated in part to amend and restate the first paragraph in its entirety, which shall read as follows:

Section 13.5 Address for Notices

Any notice or demand which by any provision of this Indenture is required or permitted to be given or delivered by the Trustee or by the Holders of Securities of any series on the Company may be given or served by registered mail or facsimile addressed (until another address is filed by the Company with the Trustee) as follows: The Narragansett Electric Company, 280 Melrose Street, Providence, Rhode Island 02907, United States of America, Attention: Treasurer, with a copy to Linklaters LLP, 1345 Avenue of the Americas, New York, New York 10105, Fax No.:+1 (212) 903-9100; Attention: Jeffrey Cohen, Email (which shall not constitute notice): jeffrey.cohen@linklaters.com. Any notice, direction, request or demand by the Company or any Holders of Securities of any series to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if received at the Corporate Trust Office of such Trustee.

ARTICLE III DESIGNATED SECURITIES

Section 3.1 Creation of Designated Securities

There is hereby created a new series of Securities to be issued under the Indenture, to be designated as “3.395% Senior Notes due 2030” (the “Designated Securities”).

Section 3.2 Aggregate Principal Amount of Designated Securities

The aggregate principal amount of the Designated Securities shall initially be limited to \$600,000,000 (except for Designated Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Designated Securities pursuant to Sections 2.4, 3.6, 3.7, 3.10, 10.6 or 14.3 of the Base Indenture and except for any Designated Securities which, pursuant to Section 3.3 of the Base Indenture, are deemed never to have been authenticated and delivered under the Indenture) (the “Initial Designated Securities”). The Company may create and issue an unlimited amount of additional Designated Securities from time to time, without notice to or the consent of the Holders of the Designated Securities, having the same terms and

conditions in all material respects as the related Initial Designated Securities (“Additional Designated Securities”). Any Additional Designated Securities shall be consolidated with and form a single class with the related Initial Designated Securities and have the same terms as to status, redemption or otherwise as the related Initial Designated Securities. Any Additional Designated Securities issued with the same CUSIP, ISIN or other identifying number as that of the related Initial Designated Securities shall be issued with no more than a de minimis amount of original issue discount, or as part of a qualified reopening, in each case for U.S. federal income tax purposes. Unless the context otherwise requires, references to “Designated Securities” for all purposes of this Fifth Supplemental Indenture include the Initial Designated Securities and any Additional Designated Securities actually issued.

Section 3.3 Payment of Principal

The principal of the Outstanding Designated Securities shall be due and payable at the Stated Maturity.

Section 3.4 Interest and Interest Rate

- (a) The Designated Securities will bear interest at 3.395% per annum from the Issue Date until the Stated Maturity.
- (b) The Company will pay interest on the Designated Securities semi-annually in arrears on April 9 and October 9 of each year, commencing October 9, 2020, until the Stated Maturity, and at the Stated Maturity (each an “Interest Payment Date”).
- (c) Interest on the Designated Securities will be computed on the basis of a 360-day year comprised of twelve 30-day months. Except as described below for the first Interest Payment Date, on each Interest Payment Date, the Company will pay interest on the Designated Securities for the period commencing on and including the immediately preceding Interest Payment Date and ending on and excluding such Interest Payment Date.
- (d) On the first Interest Payment Date, the Company will pay interest for the period commencing on and including the Issue Date and ending on and excluding the first Interest Payment Date.
- (e) If any Interest Payment Date falls on a day that is not a Business Day, the interest payment shall be postponed to the next day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.
- (f) If the Stated Maturity of any Designated Security is not a Business Day, payment of principal, premium, if any, and interest on the applicable Designated Security will be made on the next succeeding day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.

- (g) Interest on each Designated Security will be paid only to the Person in whose name such Designated Security was registered at the close of business on the Regular Record Date for the applicable Interest Payment Date.

Section 3.5 Taxation

All payments of principal and interest in respect of the Designated Securities by the Company will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by any governmental authority unless such withholding or deduction is required by law. If an amount in respect of any taxes were legally required to be deducted or withheld from interest, principal or other payments on the Designated Securities, no additional amounts shall be paid as a result of the deduction or withholding.

In order to assist the Trustee and Paying Agent with its compliance with Section 1471 through 1474 of the U. S. Internal Revenue Code of 1986, as amended and the rules and regulations thereunder (as in effect from time to time, collectively, the "Applicable Law") the Company agrees (i) to provide the Trustee and Paying Agent and any other paying agent reasonably available information collected and stored in the Company's ordinary course of business regarding holders of the Designated Securities (solely in their capacity as such) and which is necessary for the Trustee and Paying Agent's and any paying agent's determination of whether it has tax related obligations under Applicable Law and (ii) that the Trustee and Paying Agent and any paying agent shall be entitled to make any withholding or deduction from payments under the Indenture and the Designated Securities to the extent necessary to comply with Applicable Law. Nothing in the immediately preceding sentence shall be construed as obligating the Company to make any "gross up" payment or similar reimbursement in connection with a payment in respect of which amounts are so withheld or deducted.

Section 3.6 Paying Agent

- (a) Upon the terms and subject to the conditions contained herein, the Company hereby appoints The Bank of New York Mellon, acting through its London Branch, as the initial Paying Agent under the Indenture for the purpose of performing the functions of the Paying Agent with respect to the Designated Securities.
- (b) The Paying Agent shall exercise due care in performing the functions of the Paying Agent for the Designated Securities.
- (c) The Paying Agent accepts its obligations set forth herein, upon the terms and subject to the conditions hereof, including the following, to all of which the Company agrees:
 - (i) The Paying Agent shall be entitled to such compensation as may be agreed in writing with the Company for all services rendered by the Paying Agent, and the Company promises to pay such compensation and to reimburse the Paying Agent for the reasonable out-of-pocket expenses (including reasonable counsel fees and expenses) properly incurred by it in connection with the services rendered by it hereunder upon receipt of

such invoices as the Company shall reasonably require. The Company agrees to indemnify the Paying Agent (which for purposes of this subsection shall include its directors, officers, employees and agents) for, and to hold it harmless against, any and all loss, liability, damage, claims or reasonable expenses (including the costs and expenses of defending against any claim of liability) properly incurred by the Paying Agent that arises out of or in connection with its appointment as Paying Agent or its acting as Paying Agent hereunder, except such as has been determined by a court of competent jurisdiction in a final, non-appealable order, to have resulted from the negligence, willful misconduct or bad faith of the Paying Agent or any of its agents or employees. The Paying Agent shall incur no liability and shall be indemnified and held harmless by the Company for, or in respect of, any action taken or omitted by it in good faith in reliance upon written instructions from the Company. The provisions of this paragraph shall survive the termination of this Fifth Supplemental Indenture and the resignation or removal of the Paying Agent.

- (ii) In acting under the Indenture and in connection with the Designated Securities, the Paying Agent is acting solely as agent of the Company and does not assume any fiduciary duty towards any person or any obligations to, or relationship of agency or trust for or with, any of the Holders of the Designated Securities.
- (iii) The Paying Agent shall be protected and shall incur no liability for or in respect of any action taken or omitted to be taken or anything suffered by it in reliance upon the terms of the Designated Securities or any document, including any resolution, Officer's Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon or security (whether in original or facsimile form), believed by it to be genuine and to have been signed or presented by the proper party or parties.
- (iv) The duties and obligations of the Paying Agent shall be determined solely by the express provisions of the Indenture, and the Paying Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Paying Agent.
- (v) Unless herein otherwise specifically provided, any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed).
- (vi) The Paying Agent may, upon obtaining the prior written consent of the Company (which consent shall not be unreasonably withheld) perform any duties hereunder either directly or by or through agents or attorneys

not regularly in its employ, and the Paying Agent shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder.

- (vii) Sections 7.2(c), 7.2(e), 7.2(i) and 7.2(j) of the Base Indenture are also deemed applicable to the Paying Agent.
 - (viii) None of the provisions hereunder shall require the Paying Agent to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.
 - (ix) In no event shall the Paying Agent be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused by, directly or indirectly, forces beyond its reasonable control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services; it being understood that the Paying Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.
- (d) (i) The Paying Agent may at any time resign as Paying Agent by giving written notice to the Company of such intention on its part, specifying the date on which its desired resignation shall become effective; provided, however, that such date shall not be earlier than 60 days after the receipt of such notice by the Company, unless the Company agrees in writing to accept less notice. The Paying Agent may be removed (with or without cause) at any time by the filing with it of any instrument in writing signed on behalf of the Company by any proper officer or an authorized person thereof and specifying such removal and the date when it is intended to become effective (such date shall not be earlier than 60 days after the receipt of such instrument by the Paying Agent, unless otherwise agreed by the parties), subject to (if such Paying Agent is not also the Trustee) the written consent of the Trustee, which consent shall not be unreasonably withheld. Notwithstanding the provisions of this Section 3.6(d)(i), such resignation or removal shall take effect only upon the date of the appointment by the Company, as hereinafter provided, and the acceptance thereof, of a successor Paying Agent. If within 30 days after notice of resignation or removal has been received, a successor Paying Agent has not been appointed, the Paying Agent may petition a court of competent jurisdiction to appoint a successor Paying Agent at the Company's cost, as per Section 3.6(c)(i) hereof. A successor Paying Agent shall be appointed by the Company by an instrument in writing signed on behalf of the Company by any proper officer or an authorized person thereof and the successor Paying Agent. Upon the appointment of a successor Paying Agent and acceptance

by it of such appointment, the Paying Agent so succeeded shall cease to be such Paying Agent hereunder. Upon its resignation or removal, the Paying Agent shall be entitled to the payment by the Company of its compensation, if any is owed to it, for services rendered hereunder and to the reimbursement of all reasonable and properly incurred out-of-pocket expenses incurred in connection with the services rendered by it hereunder, in each case as per Section 3.6(c)(i) hereof.

- (ii) Any successor Paying Agent appointed hereunder shall execute and deliver to its predecessor and to the Company an instrument accepting such appointment hereunder, and thereupon such successor Paying Agent, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of such predecessor with like effect as if originally named as such Paying Agent hereunder, and such predecessor, upon payment by the Company of its charges and disbursements then unpaid, shall thereupon become obliged to transfer and deliver, and such successor Paying Agent shall be entitled to receive, copies of any relevant records maintained by such predecessor Paying Agent.
- (iii) Any Person into which the Paying Agent may be merged or converted or with which the Paying Agent may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Paying Agent shall be a party, or any Person succeeding to all or substantially all of the assets and business of the Paying Agent, or all or substantially all of the corporate trust business of the Paying Agent shall, to the extent permitted by applicable law and provided that it shall have an established place of business in New York, New York, be the successor Paying Agent under the Indenture without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notice of any such merger, conversion, consolidation or sale shall be given to the Company as promptly as practicable following such merger, conversion, consolidation or sale.
- (iv) Any notice required to be given by the Paying Agent to any other Person hereunder shall be given in accordance with Section 13.5 of the Base Indenture. Any notice to be given to the Paying Agent shall be delivered in person, sent by first class mail or overnight air courier guaranteeing next day delivery or communicated by facsimile, to the following address (or to any other address of which the Paying Agent shall have notified the Company in writing): The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, United Kingdom, Fax: +44 (0) 20-7964-2536, Attention: Corporate Trust Administration, with a copy to: The Bank of New York Mellon, London Branch, Merck House, Seldown Poole BH15 1PX, United Kingdom, Fax: +44-(0)20-7964-2536, Attention: EMEA Conventional Debt 4. All notices shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five calendar days after being deposited in the mail, postage

prepaid, if mailed by first-class mail; when receipt acknowledged, if faxed; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Section 3.7 Place of Payment

The place or places where, subject to the provisions of Section 4.2 of the Base Indenture, the principal of, premium, if any, and interest, if any, on the Designated Securities shall be payable, Designated Securities may be surrendered for registration, transfer or exchange and notices and demands to or upon the Company in respect of the Designated Securities and the Indenture may be served shall be the Corporate Trust Office of the Trustee in the United States.

Section 3.8 Denominations

The Designated Securities shall be issued in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Section 3.9 Form; Terms

- (a) The Designated Securities shall be substantially in the form of Exhibit A hereto. The Designated Securities may have notations, legends or endorsements required by law, stock exchange rules or usage.
- (b) Designated Securities issued in global form shall be substantially in the form of Exhibit A hereto (including the Global Security Legend thereon and the "Schedule of Exchanges of Interests in the Global Security" attached thereto). Designated Securities issued in definitive form shall be substantially in the form of Exhibit A hereto (but without, in each case, the Global Security Legend thereon and without the "Schedule of Exchanges of Interests in the Global Security" attached thereto). Each Global Security shall represent such of the outstanding Designated Securities as shall be specified in the "Schedule of Exchanges of Interests in the Global Security" attached thereto and each shall provide that it shall represent up to the aggregate principal amount of Designated Securities from time to time endorsed thereon and that the aggregate principal amount of outstanding Designated Securities represented thereby may from time to time be reduced or increased, as applicable, to reflect exchanges and redemptions. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Designated Securities represented thereby shall be made by the Trustee, in accordance with instructions given by the Holder thereof as required by Section 3.10 hereof.
- (c) Designated Securities offered and sold in reliance on Regulation S shall be issued initially in the form of the Regulation S Temporary Global Security, which shall be deposited on behalf of the purchasers of the Designated Securities represented thereby with the Trustee, as custodian for the Depository, and registered in the name of the Depository or the nominee of the Depository for the accounts of designated agents holding on behalf of Euroclear or Clearstream, Luxembourg, duly executed by the Company and authenticated by the Trustee as hereinafter

provided. The Restricted Period shall be terminated upon the receipt by the Trustee of:

- (i) a written certificate from the Depository (if available), together with copies of certificates from Euroclear and Clearstream, Luxembourg (if available) certifying that they have received certification of non-United States beneficial ownership of 100% of the aggregate principal amount of each Regulation S Temporary Global Security (except to the extent of any beneficial owners thereof who acquired an interest therein during the Restricted Period pursuant to another exemption from registration under the Securities Act and who shall take delivery of a beneficial ownership interest in a 144A Global Security bearing a Private Placement Legend, all as contemplated by Section 3.10(b) hereof); and
- (ii) an Officer's Certificate from the Company.

Following the termination of the Restricted Period, beneficial interests in each Regulation S Temporary Global Security shall be exchanged for beneficial interests in the Regulation S Permanent Global Security of the same series pursuant to the Applicable Procedures. Simultaneously with the authentication of the corresponding Regulation S Permanent Global Security, the Trustee shall cancel the corresponding Regulation S Temporary Global Security. The aggregate principal amount of a Regulation S Temporary Global Security and the Regulation S Permanent Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository or its nominee, as the case may be, in connection with transfers of interest as hereinafter provided.

- (d) The terms and provisions contained in the Designated Securities shall constitute, and are hereby expressly made, a part of the Indenture, and the Company and the Trustee, by their execution and delivery of this Fifth Supplemental Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Designated Security conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.
- (e) The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "General Terms and Conditions of Clearstream Banking" and "Customer Handbook" of Clearstream, Luxembourg shall be applicable to transfers of beneficial interests in the Regulation S Temporary Global Security and the Regulation S Permanent Global Securities that are held by Participants through Euroclear or Clearstream, Luxembourg.

Section 3.10 Transfer and Exchange

The transfer or exchange of Designated Securities shall be effected in accordance with Section 3.6 of the Base Indenture and this Section 3.10.

- (a) Transfer and Exchange of Global Securities Except as otherwise set forth in this Section 3.10, a Global Security may be transferred, in whole and not in part, only to another nominee of the Depository or to a successor Depository or a nominee of such successor Depository. A beneficial interest in a Global Security may not be exchanged for a Definitive Security unless (i) the Depository (x) notifies the Company that it is unwilling or unable to continue as Depository for such Global Security or (y) has ceased to be a clearing agency registered under the Exchange Act and, in either case, a successor Depository is not appointed by the Company within 120 days or (ii) there shall have occurred and be continuing an Event of Default with respect to the Designated Securities. Upon the occurrence of any of the preceding events in (i) or (ii) above, Definitive Securities delivered in exchange for any Global Security or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the Depository (in accordance with its customary procedures). Global Securities also may be exchanged or replaced, in whole or in part, as provided in Sections 3.7 and 3.10 of the Base Indenture. Every Designated Security authenticated and delivered in exchange for, or in lieu of, a Global Security or any portion thereof, pursuant to this Section 3.10 or Sections 3.7 or 3.10 of the Base Indenture, shall be authenticated and delivered in the form of, and shall be, a Global Security, except for Definitive Securities issued subsequent to any of the preceding events in (i) or (ii) above and pursuant to Section 3.10(c) hereof. A Global Security may not be exchanged for another Designated Security other than as provided in this Section 3.10(a); provided, however, beneficial interests in a Global Security may be transferred and exchanged as provided in Section 3.10(b), (c) or (d) hereof.
- (b) Transfer and Exchange of Beneficial Interests in the Global Securities The transfer and exchange of beneficial interests in the Global Securities shall be effected through the Depository, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Securities shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Securities also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:
 - (i) Transfer of Beneficial Interests in the Same Global Security Beneficial interests in any Restricted Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Security in accordance with the transfer restrictions set forth in the Private Placement Legend; provided, however, that prior to the expiration of the Restricted Period, transfers of beneficial interests in

the Regulation S Temporary Global Security may not be made to a U.S. Person or for the account or benefit of a U.S. Person. Beneficial interests in any Unrestricted Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Security. No written orders or instructions shall be required to be delivered to the Securities Registrar to effect the transfers described in this Section 3.10(b)(i).

- (ii) **All Other Transfers and Exchanges of Beneficial Interests in Global Securities** In connection with all transfers and exchanges of beneficial interests that are not subject to Section 3.10(b)(i) hereof, the transferor of such beneficial interest must deliver to the Securities Registrar either (A) both (1) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to credit or cause to be credited a beneficial interest in another Global Security in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B) both (1) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to cause to be issued a Definitive Security of the same series in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depository to the Securities Registrar containing information regarding the Person in whose name such Definitive Security shall be registered to effect the transfer or exchange referred to in (1) above; provided that in no event shall Definitive Securities be issued upon the transfer or exchange of beneficial interests in the Regulation S Temporary Global Security prior to (A) the expiration of the Restricted Period and (B) the receipt by the Securities Registrar of any certificates required pursuant to Rule 903. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Securities contained in this Indenture and the Designated Securities or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Securities pursuant to Section 3.10(g) hereof.
- (iii) **Transfer of Beneficial Interests to Another Restricted Global Security** A beneficial interest in any Restricted Global Security may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Security if the transfer complies with the requirements of Section 3.10(b)(ii) hereof and the Securities Registrar receives the following:
 - (A) if the transferee will take delivery in the form of a beneficial interest in a 144A Global Security, then the transferor must

deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; or

- (B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Security, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.
- (iv) Transfer and Exchange of Beneficial Interests in a Restricted Global Security for Beneficial Interests in an Unrestricted Global Security A beneficial interest in any Restricted Global Security may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Security or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security if the exchange or transfer complies with the requirements of Section 3.10(b)(ii) hereof the Securities Registrar receives the following:
- (A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Security of the same series, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or
 - (B) if the holder of such beneficial interest in a Restricted Global Security proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Security of the same series, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in subparagraph (A) or (B), if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to clause (iv) above at a time when an Unrestricted Global Security has not yet been issued, the Company shall issue and, upon receipt of a Company Order in accordance with Section 3.3 of the Base Indenture, the Trustee shall authenticate one or more Unrestricted Global Securities in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (A) or (B) above.

Beneficial interests in an Unrestricted Global Security cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Security.

- (c) **Transfer or Exchange of Beneficial Interests for Definitive Securities**
- (i) **Beneficial Interests in Restricted Global Securities to Restricted Definitive Securities** If any holder of a beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a Restricted Definitive Security or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Security, then, upon the occurrence of any of the events in paragraph (i) or (ii) of Section 3.10(a) hereof and receipt by the Securities Registrar of the following documentation:
- (A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a Restricted Definitive Security, a certificate from such holder substantially in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;
 - (B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (1) thereof;
 - (C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (2) thereof;
 - (D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(a) thereof;
 - (E) if such beneficial interest is being transferred to the Company or any of its Restricted Subsidiaries, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(b) thereof; or
 - (F) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Security to be reduced accordingly pursuant to Section 3.10(g) hereof, and the Company shall execute and the Trustee shall authenticate and mail to the Person designated in the instructions a Definitive Security in the applicable principal amount. Any Definitive Security issued in exchange for a beneficial interest in a Restricted Global Security pursuant to this Section 3.10(c)(i) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Securities Registrar through instructions from the Depository and the Participant or Indirect Participant. The Trustee shall mail such Definitive Securities to the Persons in whose names such Designated Securities are so registered at the address appearing in the Securities Register. Any Definitive Security issued in exchange for a beneficial interest in a Restricted Global Security pursuant to this Section 3.10(c)(i) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

- (ii) **Beneficial Interests in Regulation S Temporary Global Security to Definitive Securities Notwithstanding Sections 3.10(c)(i)(A) and (C) hereof,** a beneficial interest in the Regulation S Temporary Global Security may not be exchanged for a Definitive Security or transferred to a Person who takes delivery thereof in the form of a Definitive Security prior to (A) the expiration of the Restricted Period and (B) the receipt by the Securities Registrar of any certificates required pursuant to Rule 903 of the Securities Act, except in the case of a transfer pursuant to an exemption from the registration requirements of the Securities Act other than Rule 903 or Rule 904.
- (iii) **Beneficial Interests in Restricted Global Securities to Unrestricted Definitive Securities** A holder of a beneficial interest in a Restricted Global Security may exchange such beneficial interest for an Unrestricted Definitive Security or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Security only upon the occurrence of any of the events in subsection (i) or (ii) of Section 3.10(a) hereof and if the Securities Registrar receives the following:
 - (A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for an Unrestricted Definitive Security, a certificate from such holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or
 - (B) if the holder of such beneficial interest in a Restricted Global Security proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Security, a certificate from such holder substantially

in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (A) or (B) above, if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

- (iv) **Beneficial Interests in Unrestricted Global Securities to Unrestricted Definitive Securities** If any holder of a beneficial interest in an Unrestricted Global Security proposes to exchange such beneficial interest for a Definitive Security or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Security, then, upon the occurrence of any of the events in subsection (i) or (ii) of Section 3.10(a) hereof and satisfaction of the conditions set forth in Section 3.10(b)(ii) hereof, the Trustee shall cause the aggregate principal amount of the applicable Global Security to be reduced accordingly pursuant to Section 3.10(g) hereof, and the Company shall execute and the Trustee shall authenticate and mail to the Person designated in the instructions a Definitive Security in the applicable principal amount. Any Definitive Security issued in exchange for a beneficial interest pursuant to this Section 3.10(c)(iv) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Securities Registrar through instructions from or through the Depository and the Participant or Indirect Participant. The Trustee shall mail such Definitive Securities to the Persons in whose names such Securities are so registered. Any Definitive Security issued in exchange for a beneficial interest pursuant to this Section 3.10(c)(iv) shall not bear the Private Placement Legend.

(d) **Transfer and Exchange of Definitive Securities for Beneficial Interests**

- (i) **Restricted Definitive Securities to Beneficial Interests in Restricted Global Securities** If any Holder of a Restricted Definitive Security proposes to exchange such Designated Security for a beneficial interest in a Restricted Global Security or to transfer such Restricted Definitive Security to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Security, then, upon receipt by the Securities Registrar of the following documentation:
 - (A) if the Holder of such Restricted Definitive Security proposes to exchange such Designated Security for a beneficial interest in a Restricted Global Security, a certificate from such Holder

substantially in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

- (B) if such Restricted Definitive Security is being transferred to a QIB in accordance with Rule 144A, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (1) thereof;
- (C) if such Restricted Definitive Security is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (2) thereof;
- (D) if such Restricted Definitive Security is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(a) thereof;
- (E) if such Restricted Definitive Security is being transferred to the Company or any of its Restricted Subsidiaries, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(b) thereof; or
- (F) if such Restricted Definitive Security is being transferred pursuant to an effective registration statement under the Securities Act, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cancel the Restricted Definitive Security, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the applicable Restricted Global Security, in the case of clause (B) above, the applicable 144A Global Security, and in the case of clause (C) above, the applicable Regulation S Global Security.

- (ii) Restricted Definitive Securities to Beneficial Interests in Unrestricted Global Securities A Holder of a Restricted Definitive Security may exchange such Designated Security for a beneficial interest in an Unrestricted Global Security or transfer such Restricted Definitive Security to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security only if the Securities Registrar receives the following:
 - (A) if the Holder of such Definitive Securities proposes to exchange such Designated Securities for a beneficial interest in the Unrestricted Global Security, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

- (B) if the Holder of such Definitive Securities proposes to transfer such Designated Securities to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Security, a certificate from such Holder substantially in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subsection (A) or (B) above, if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 3.10(d)(ii), the Trustee shall cancel the Definitive Securities and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Security.

- (iii) Unrestricted Definitive Securities to Beneficial Interests in Unrestricted Global Securities A Holder of an Unrestricted Definitive Security may exchange such Designated Security for a beneficial interest in an Unrestricted Global Security or transfer such Definitive Securities to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security at any time. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the applicable Unrestricted Definitive Security and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Securities.

If any such exchange or transfer from a Definitive Security to a beneficial interest is effected pursuant to clauses (ii) or (iii) above at a time when an Unrestricted Global Security has not yet been issued, the Company shall issue and, upon receipt of a Company Order in accordance with Section 3.3 of the Base Indenture, the Trustee shall authenticate one or more Unrestricted Global Securities in an aggregate principal amount equal to the principal amount of Definitive Securities so transferred.

- (e) Transfer and Exchange of Definitive Securities for Definitive Securities Upon request by a Holder of Definitive Securities and such Holder's compliance with the provisions of this Section 3.10(e), the Securities Registrar shall register the transfer or exchange of Definitive Securities. Prior to such registration of transfer or exchange, the requesting Holder shall present or surrender to the Securities Registrar the Definitive Securities duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Securities Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and

information, as applicable, required pursuant to the following provisions of this Section 3.10(e):

- (i) Restricted Definitive Securities to Restricted Definitive Securities Any Restricted Definitive Security may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Security if the Securities Registrar receives the following:
 - (A) if the transfer will be made to a QIB in accordance with Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;
 - (B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; or
 - (C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications required by item (3) thereof, if applicable.
- (ii) Restricted Definitive Securities to Unrestricted Definitive Securities Any Restricted Definitive Security may be exchanged by the Holder thereof for an Unrestricted Definitive Security or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Security if the Securities Registrar receives the following:
 - (A) if the Holder of such Restricted Definitive Securities proposes to exchange such Designated Securities for an Unrestricted Definitive Security, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or
 - (B) if the Holder of such Restricted Definitive Securities proposes to transfer such Designated Securities to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Security, a certificate from such Holder substantially in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subsection (A) or (B) above, if the Securities Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

- (iii) **Unrestricted Definitive Securities to Unrestricted Definitive Securities**
A Holder of Unrestricted Definitive Securities may transfer such Designated Securities to a Person who takes delivery thereof in the form of an Unrestricted Definitive Security. Upon receipt of a request to register such a transfer, the Securities Registrar shall register the Unrestricted Definitive Securities pursuant to the instructions from the Holder thereof.
- (f) **Legends** The following legends shall appear on the face of all Global Securities and Definitive Securities issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture:
 - (i) **Private Placement Legend**
 - (A) Except as permitted by subparagraph (B) below, each Global Security and each Definitive Security (and all Designated Securities issued in exchange therefor or substitution therefor) shall bear the legend in substantially the following form:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE NARRAGANSETT ELECTRIC COMPANY OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT, AN “ACCREDITED INVESTOR”) THAT, PRIOR TO SUCH TRANSFER, FURNISHES (OR HAS FURNISHED ON ITS BEHALF BY A U.S. BROKER-DEALER) TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (THE FORM OF WHICH

LETTER CAN BE OBTAINED FROM THE TRUSTEE FOR THIS SECURITY), (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE NARRAGANSETT ELECTRIC COMPANY SO REQUESTS), OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF THE SECURITY EVIDENCED HEREBY. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN ONE YEAR AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY, IF THE PROPOSED TRANSFEREE IS AN ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND THE NARRAGANSETT ELECTRIC COMPANY SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS ANY OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATIONS UNDER THE SECURITIES ACT."

- (B) Notwithstanding the foregoing, any Global Security or Definitive Security issued pursuant to subparagraph (b)(iv), (c)(iii), (c)(iv), (d)(ii), (d)(iii), (e)(ii) or (e)(iii) of this Section 3.10 (and all Designated Securities issued in exchange therefor or substitution thereof) shall not bear the Private Placement Legend.
- (ii) Global Security Legend Each Global Security shall bear a legend in substantially the following form:

“THIS GLOBAL SECURITY IS HELD BY THE DEPOSITORY (AS DEFINED IN THE INDENTURE GOVERNING THIS SECURITY) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 3.10(g) OF THE FIFTH SUPPLEMENTAL INDENTURE, (II) THIS GLOBAL SECURITY MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 3.10(a) OF THE FIFTH SUPPLEMENTAL INDENTURE, (III) THIS GLOBAL SECURITY MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 3.9 OF THE BASE INDENTURE AND (IV) THIS GLOBAL SECURITY MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITORY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”) TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.”

- (iii) Regulation S Temporary Global Security Legend The Regulation S Temporary Global Security shall bear a legend in substantially the following form:

“BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON, NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON, AND IS

ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION
IN ACCORDANCE WITH REGULATION S UNDER THE
SECURITIES ACT.”

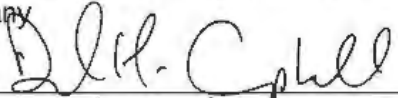
- (g) Cancellation and/or Adjustment of Global Securities At such time as all beneficial interests in a particular Global Security have been exchanged for Definitive Securities or a particular Global Security has been redeemed, repurchased or canceled in whole and not in part, each such Global Security shall be returned to or retained and canceled by the Trustee in accordance with Section 3.9 of the Base Indenture. At any time prior to such cancellation, if any beneficial interest in a Global Security is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security or for Definitive Securities, the principal amount of Securities represented by such Global Security shall be reduced accordingly and an endorsement shall be made on such Global Security by the Trustee or by the Depository at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security, such other Global Security shall be increased accordingly and an endorsement shall be made on such Global Security by the Trustee or by the Depository at the direction of the Trustee to reflect such increase.
- (h) Automatic Exchange from Restricted Global Security to Unrestricted Global Security At the option of the Company and upon compliance with the following procedures, beneficial interests in a Restricted Global Security shall be exchanged for beneficial interests in an Unrestricted Global Security. In order to effect such exchange, the Company shall provide written notice to the Trustee instructing the Trustee to (i) direct the Depository to transfer the specified amount of the outstanding beneficial interests in a particular Restricted Global Security to an Unrestricted Global Security and provide the Depository with all such information as is necessary for the Depository to appropriately credit and debit the relevant Holder accounts and (ii) provide prior written notice to all Holders of such exchange, which notice must include the date such exchange is proposed to occur, the CUSIP number of the relevant Restricted Global Security and the CUSIP number of the Unrestricted Global Security into which such Holders' beneficial interests will be exchanged. As a condition to any such exchange pursuant to this Section 3.10(h), the Trustee shall be entitled to receive from the Company, and rely conclusively without any liability, upon an Officer's Certificate and an Opinion of Counsel to the Company, in form and in substance reasonably satisfactory to the Trustee, to the effect that such transfer of beneficial interests to the Unrestricted Global Security shall be effected in compliance with the Securities Act. The Company may request from Holders such information it reasonably determines is required in order to be able to deliver such Officer's Certificate and Opinion of Counsel. Upon such exchange of beneficial interests pursuant to this Section 3.10(h), the Securities Registrar shall reflect on its books and records the date of such transfer and a decrease and increase, respectively, in the principal amount of the applicable Restricted Global Securities and the

Unrestricted Global Securities, respectively, equal to the principal amount of beneficial interests transferred. Following any such transfer pursuant to this Section 3.10(h) of all of the beneficial interests in a Restricted Global Security, such Restricted Global Security shall be cancelled.

- (i) **Transfers of Securities Held by Affiliates** Any certificate (i) evidencing a Designated Security that has been transferred to an affiliate (as defined in Rule 405 of the Securities Act) of the Company, as evidenced by a notation on the certificate of transfer and certificate of exchange for such transfer or in the representation letter delivered in respect thereof or (ii) evidencing a Designated Security that has been acquired from an affiliate (other than by an affiliate) in a transaction or a chain of transactions not involving any public offering, shall, until one year after the last date on which either the Company or any affiliate of the Company was an owner of such Designated Security, in each case, be in the form of a permanent definitive security and bear the private placement legend subject to the restrictions in this Section 3.10. The Securities Registrar shall retain copies of all letters, notices and other written communications received pursuant to this Section 3.10. The Company, at its sole cost and expense, shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable advance written notice to the Trustee.

In witness whereof, each of the parties hereto has caused this Fifth Supplemental Indenture to be duly executed on its behalf as of the date first above written.

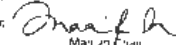
THE NARRAGANSETT ELECTRIC COMPANY,
as Company

By: 
Name: DAVID H. CAMPBELL
Title: VP, Treasurer

[Signature Page to Fifth Supplemental Indenture]

In witness whereof, each of the parties hereto has caused this Fifth Supplemental Indenture to be duly executed on its behalf as of the date first above written.


THE BANK OF NEW YORK MELLON,
acting through its London Branch,
as Trustee and Paying Agent

By: 
Marilyn Chau
Vice President
Title: Trustee and Paying Agent

Digitally

signed by
Marilyn Chau

THE BANK OF NEW YORK MELLON,
as Securities Registrar

By: 
Marilyn Chau
Vice President
Title: Trustee and Paying Agent

Digitally

signed by
Marilyn Chau

[Signature Page to Fifth Supplemental Indenture]

Exhibit A
Form of Designated Security

[Face of Designated Security]

[Insert Global Security Legend, if applicable pursuant to the provisions of the Fifth Supplemental Indenture.]

[Insert Private Placement Legend, if applicable pursuant to the provisions of the Fifth Supplemental Indenture.]

[Insert Regulation S Temporary Global Security Legend, if applicable pursuant to the provisions of the Fifth Supplemental Indenture.]

CUSIP: [●]
ISIN: [●]

THE NARRAGANSETT ELECTRIC COMPANY

3.395% Senior Notes due 2030

No. _____

[\$ _____]

THE NARRAGANSETT ELECTRIC COMPANY, a Rhode Island company (the "Company"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum [of \$ _____] [set forth on the Schedule of Exchanges of Interests in the Global Security attached hereto] on April 9, 2030 and to pay interest thereon from April 9, 2020 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on April 9 and October 9 of each year, commencing October 9, 2020, at the rate of 3.395% per annum until Maturity, and at Maturity.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Except as described below for the first Interest Payment Date, on each Interest Payment Date, the Company will pay interest on the Designated Securities for the period commencing on and including the immediately preceding Interest Payment Date and ending on and excluding such Interest Payment Date. On the first Interest Payment Date, the Company will pay interest for the period commencing on and including the Issue Date and ending on and excluding the first Interest Payment Date. If any Interest Payment Date falls on a day that is not a Business Day, the interest payment shall be postponed to the next day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day. If the Maturity of any Designated Security is not a Business Day, payment of principal, premium, if any, and interest on the applicable Designated Security will be made on the next succeeding day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name the Designated Securities represented hereby (or one or more Predecessor Securities) are registered at the close of business on the Regular Record Date for such Interest Payment Date, which shall be March 25 and September 25, as the case may be, preceding the applicable Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name the Designated Securities represented hereby (or one or more Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by or on behalf of the Company, notice whereof shall be given to Holders of Designated Securities not less than 15 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Designated Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

The Bank of New York Mellon, acting through its London Branch, shall initially act as Trustee and Paying Agent, and The Bank of New York Mellon shall initially act as Securities Registrar, with respect to the Designated Securities.

Reference is hereby made to the further provisions of the Designated Securities set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee, directly or through an Authenticating Agent, by manual or electronic signature of an authorized signatory, the Designated Securities represented hereby shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

In witness whereof, the Company has caused this instrument to be duly executed manually or in facsimile.

Dated: April 9, 2020

THE NARRAGANSETT ELECTRIC COMPANY

By: _____

Name:

Title:

CERTIFICATE OF AUTHENTICATION

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

Dated: April 9, 2020

THE BANK OF NEW YORK MELLON,
acting through its London Branch,
as Trustee

By: _____
Name:
Title:

[Reverse of Designated Security]

THE NARRAGANSETT ELECTRIC COMPANY

This Designated Security represents a duly authorized issue of 3.395% Senior Notes due 2030 (the “Designated Securities”), issued under an Indenture, dated as of March 22, 2010 (as supplemented by a First Supplemental Indenture, dated as of March 22, 2010, a Second Supplemental Indenture, dated as of March 22, 2010, a Third Supplemental Indenture, dated as of December 10, 2012, and a Fourth Supplemental Indenture, dated as of July 27, 2018, the “Base Indenture”), between the Company and The Bank of New York Mellon, as Trustee (the “Trustee,” which term includes any successor trustee under the Indenture), as supplemented with respect to the Designated Securities by the Fifth Supplemental Indenture, dated as of April 9, 2020, between the Company, The Bank of New York Mellon, acting through its London Branch, as Trustee and Paying Agent and the Bank of New York Mellon, as Securities Registrar (together with the Base Indenture, the “Indenture”). Reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Designated Securities and of the terms upon which the Designated Securities are, and are to be, authenticated and delivered.

At any time and from time to time, the Company may redeem all or a part of the Designated Securities, upon not less than 30 nor more than 60 days’ prior notice delivered to the registered address of each Holder of Designated Securities or otherwise in accordance with the procedures of the Depository. If the Company elects to redeem the Designated Securities prior to January 9, 2030, the Company shall pay a Redemption Price, as calculated by the Company, equal to the greater of (1) 100% of the principal amount of the Designated Securities redeemed and (2) the present value at such Redemption Date of (i) the principal amount of such Designated Securities on the Redemption Date, plus (ii) all required interest payments due on such Designated Securities through January 9, 2030 (three months prior to the maturity date), computed using a discount rate equal to the Treasury Rate determined on the second Business Day preceding the Redemption Date plus 40 basis points, less accrued and unpaid interest, plus, in each case, accrued and unpaid interest, if any, to the Redemption Date, subject to the rights of Holders of Designated Securities at the close of business on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date. If the Company elects to redeem the Designated Securities on or after January 9, 2030 (the date that is three months prior to the maturity date), the Company shall pay a Redemption Price equal to 100% of the principal amount of the Designated Securities to be redeemed plus accrued and unpaid interest thereon to, but not including, the Redemption Date, subject to the rights of Holders of Designated Securities at the close of business on the relevant record date to receive interest due on the relevant Interest Payment Date.

“Treasury Rate” means, as calculated by the Company, as of any Redemption Date, the yield to maturity (computed as of the second Business Day immediately preceding that Redemption Date) of United States Treasury securities with a constant maturity most nearly equal to the period from the Redemption Date to January 9, 2030 (three months prior to the maturity date); provided, however, that if the period from the Redemption Date to such date is less than one

year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

If an Event of Default with respect to the Designated Securities shall occur and be continuing, principal of, premium, if any, and accrued but unpaid interest on the Designated Securities may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of the Designated Securities represented by this Designated Security shall be conclusive and binding upon such Holder and upon all future Holders of the Designated Securities represented by this Designated Security and of the Designated Securities represented by any Designated Security issued upon the registration of transfer of the Designated Securities represented by this Designated Security or in exchange thereof or in lieu thereof, whether or not notation of such consent or waiver is made upon this Designated Security.

No reference herein to the Indenture and no provision of the Designated Securities or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal or premium or any overdue interest, on the Designated Securities at the rate or rates herein prescribed.

As provided in the Indenture, the Company shall cause to be kept at the Corporate Trust Office of the Trustee a Register in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Designated Securities and of transfers of Designated Securities.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange, other than as set forth in the Indenture.

Prior to due presentment of this Designated Security for registration of transfer of any Designated Security represented hereby, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Designated Security is registered as the owner of this Designated Security for the purpose of receiving payment of principal of and any premium and (subject to Section 3.8 of the Base Indenture) any interest on such Security and for all other purposes whatsoever, whether or not this Designated Security be

overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

THE INDENTURE AND THE DESIGNATED SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

All capitalized terms used herein which are not otherwise defined herein shall have the meanings assigned to them in the Indenture.

Schedule of Exchanges of Interests in the Global Security¹

The initial outstanding principal amount of this Global Security is \$_____. The following exchanges of a part of this Global Security for an interest in another Global Security or for a Definitive Security, or exchanges of a part of another Global or Definitive Security for an interest in this Global Security, have been made:

Date of Exchange	Amount of decrease in Principal Amount	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following each decrease or increase	Signature of authorized signatory of Trustee or Custodian

¹ This schedule should be included only if the Designated Security is issued in global form.

Exhibit B
Form of Certificate of Transfer

c/o The Narragansett Electric Company
280 Melrose Street
Providence, Rhode Island 02907
United States of America
Attention: Treasurer

The Bank of New York Mellon, acting through its London Branch
Corporate Trust Services
One Canada Square
London E14 5AL
United Kingdom
Facsimile No.: +44 (0) 207 964 2536
Attention: Corporate Trust Administration

Re: 3.395% Senior Notes due 2030

Reference is hereby made to the Indenture, dated as of March 22, 2010, between The Narragansett Electric Company and The Bank of New York Mellon as Trustee, as supplemented by the First Supplemental Indenture, dated as of March 22, 2010, the Second Supplemental Indenture, dated as of March 22, 2010, the Third Supplemental Indenture, dated as of December 10, 2012, the Fourth Supplemental Indenture, dated as of July 27, 2018, and the Fifth Supplemental Indenture, dated as of April 9, 2020, between The Narragansett Electric Company, The Bank of New York Mellon, acting through its London Branch, as Trustee and Paying Agent and The Bank of New York Mellon as Securities Registrar (collectively, the "Indenture"). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Indenture.

_____ (the "Transferor") owns and proposes to transfer the Designated Securities or interests in such Designated Securities specified in Annex A, in the principal amount of \$ _____ in such Designated Securities or interests (the "Transfer"), to _____ (the "Transferee"), as further specified in Annex A. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

- 1 Check if Transferee will take delivery of a beneficial interest in the 144A Global Security or a Definitive Security pursuant to Rule 144A. The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Security is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Definitive Security for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting

the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States.

- 2 Check if Transferee will take delivery of a beneficial interest in the Regulation S Global Security or a Definitive Security pursuant to Regulation S. The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will be subject to the restrictions on Transfer enumerated in the Indenture and the Securities Act.
- 3 Check and complete if Transferee will take delivery of a beneficial interest in the Restricted Definitive Security pursuant to any provision of the Securities Act other than Rule 144A or Regulation S. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Securities and Restricted Definitive Securities and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):
- (a) such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;
- OR
- (b) such Transfer is being effected to the Company or a subsidiary thereof;
- OR
- (c) such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act.
- 4 Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Security or of an Unrestricted Definitive Security.

- (a) Check if Transfer is Pursuant to Rule 144. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities, on Restricted Definitive Securities and in the Indenture.
- (b) Check if Transfer is Pursuant to Regulation S. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities, on Restricted Definitive Securities and in the Indenture.
- (c) Check if Transfer is Pursuant to Other Exemption. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities or Restricted Definitive Securities and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

[Insert Name of Transferor]

By: _____
Name:
Title:

Dated:

Annex A to Certificate of Transfer

1 The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

- (a) a beneficial interest in the:
 - (i) 144A Global Security (CUSIP [_____] [_____]), or
 - (ii) Regulation S Global Security (CUSIP [_] [_____]), or
- (b) a Restricted Definitive Security.

2 After the Transfer the Transferee will hold:

[CHECK ONE]

- (a) a beneficial interest in the:
 - (i) 144A Global Security (CUSIP [_____] [_____]), or
 - (ii) Regulation S Global Security (CUSIP [_____] [_____]),
or
 - (iii) Unrestricted Global Security (CUSIP [_____] [_____]);
- or
- (b) a Restricted Definitive Security; or
 - (c) an Unrestricted Definitive Security, in accordance with the terms of the Indenture.

Exhibit C
Form of Certificate of Exchange

c/o The Narragansett Electric Company
280 Melrose Street
Providence, Rhode Island 02907
United States of America
Attention: Treasurer

The Bank of New York Mellon, acting through its London Branch
Corporate Trust Services
One Canada Square
London E14 5AL
United Kingdom
Facsimile No.: +44 (0) 207 964 2536
Attention: Corporate Trust Administration

Re: 3.395% Senior Notes due 2030

Reference is hereby made to the Indenture, dated as of March 22, 2010, between The Narragansett Electric Company and The Bank of New York Mellon as Trustee, as supplemented by the First Supplemental Indenture, dated as of March 22, 2010, the Second Supplemental Indenture, dated as of March 22, 2010, the Third Supplemental Indenture, dated as of December 10, 2012, the Fourth Supplemental Indenture, dated as of July 27, 2018, and the Fifth Supplemental Indenture, dated as of April 9, 2020, between The Narragansett Electric Company, The Bank of New York Mellon, acting through its London Branch, as Trustee and Paying Agent and The Bank of New York Mellon as Securities Registrar (collectively, the "Indenture"). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Indenture.

_____ (the "Owner") owns and proposes to exchange the Designated Securities or interests in such Designated Securities specified herein, in the principal amount of \$ _____ in such Designated Securities or interests (the "Exchange"). In connection with the Exchange, the Owner hereby certifies that:

- 1 Exchange of Restricted Definitive Securities or Beneficial Interests in a Restricted Global Security for Unrestricted Definitive Securities or Beneficial Interests in an Unrestricted Global Security
 - (a) Check if Exchange is from beneficial interest in a Restricted Global Security to beneficial interest in an Unrestricted Global Security. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Security for a beneficial interest in an Unrestricted Global Security in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Security and pursuant to and in accordance with the United States Securities Act of 1933, as

amended (the "Securities Act"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

- (b) Check if Exchange is from beneficial interest in a Restricted Global Security to Unrestricted Definitive Security. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Security for an Unrestricted Definitive Security, the Owner hereby certifies (i) the Definitive Security is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.
- (c) Check if Exchange is from Restricted Definitive Security to beneficial interest in an Unrestricted Global Security. In connection with the Owner's Exchange of a Restricted Definitive Security for a beneficial interest in an Unrestricted Global Security, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.
- (d) Check if Exchange is from Restricted Definitive Security to Unrestricted Definitive Security. In connection with the Owner's Exchange of a Restricted Definitive Security for an Unrestricted Definitive Security, the Owner hereby certifies (i) the Unrestricted Definitive Security is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2 Exchange of Restricted Definitive Securities or Beneficial Interests in Restricted Global Securities for Restricted Definitive Securities or Beneficial Interests in Restricted Global Securities

- (a) Check if Exchange is from beneficial interest in a Restricted Global Security to Restricted Definitive Security. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Security for a Restricted Definitive Security with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Security is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Security issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Security and in the Indenture and the Securities Act.
- (b) Check if Exchange is from Restricted Definitive Security to beneficial interest in a Restricted Global Security. In connection with the Exchange of the Owner's Restricted Definitive Security for a beneficial interest in the [CHECK ONE] 144A Global Security Regulation S Global Security, with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Securities and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Security and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company and are dated _____.

[Insert Name of Transferor]

By: _____

Name:

Title:

Dated: _____

FOURTH SUPPLEMENTAL INDENTURE

July 27, 2018

between

**THE NARRAGANSETT ELECTRIC COMPANY,
as Company**

and

**THE BANK OF NEW YORK MELLON,
acting through its London Branch,
as Trustee and Paying Agent**

and

**THE BANK OF NEW YORK MELLON,
as Securities Registrar**

**\$350,000,000
3.919% Senior Notes due 2028**

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This Fourth Supplemental Indenture, dated as of July 27, 2018 (the “**Fourth Supplemental Indenture**”), between The Narragansett Electric Company, a Rhode Island company (the “**Company**”), and The Bank of New York Mellon, a New York banking corporation duly organized and existing under the laws of the State of New York, acting through its London Branch, as trustee (the “**Trustee**”) and paying agent (the “**Paying Agent**”), and The Bank of New York Mellon, as registrar (the “**Securities Registrar**”).

Whereas:

- (A) the Company has heretofore entered into an Indenture, dated as of March 22, 2010 (the “**Base Indenture**”), a First Supplemental Indenture, dated as of March 22, 2010, a Second Supplemental Indenture, dated as of March 22, 2010, and a Third Supplemental Indenture, dated as of December 10, 2012, with the Trustee;
- (B) the Company wishes to make certain changes to the Base Indenture as it relates to future issuances, and the Base Indenture, as supplemented by this Fourth Supplemental Indenture, is herein called the “**Indenture**”;
- (C) pursuant to Sections 3.1 and 10.1 of the Base Indenture, the Company proposes to create a new series of Securities under the Indenture;
- (D) the Company hereby resolves to issue the Designated Securities (as such term is defined in Section 3.1 hereof) in an aggregate principal amount of \$350,000,000 and with the terms and conditions set forth in this Fourth Supplemental Indenture; and
- (E) all things necessary to make this Fourth Supplemental Indenture a valid agreement of the Company, in accordance with its terms, have been done;

Now, therefore, for and in consideration of the premises and the purchases of the Designated Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of Designated Securities, as follows:

**ARTICLE I
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION**

Section 1.1 Definitions

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

- (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (b) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

- (c) unless the context otherwise requires, any reference to an “**Article**” or a “**Section**” refers to an Article or a Section, as the case may be, of this Fourth Supplemental Indenture;
- (d) the words “**herein**”, “**hereof**” and “**hereunder**” and other words of similar import refer to this Fourth Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision; and
- (e) all terms used but not defined in this Fourth Supplemental Indenture, which are defined in the Base Indenture, shall have the meanings assigned to them in the Base Indenture.

“**Additional Designated Securities**” has the meaning ascribed in Section 3.2.

“**Applicable Procedures**” means, with respect to any transfer or exchange of or for beneficial interests in any Global Security, the rules and procedures of the Depository, Euroclear and/or Clearstream, Luxembourg that apply to such transfer or exchange.

“**Business Day**” means each day which is not a Legal Holiday.

“**Clearstream, Luxembourg**” means Clearstream Banking, Société Anonyme, and its successors.

“**Definitive Security**” means a certificated Designated Security registered in the name of the Holder thereof and issued in accordance with Section 3.10 hereof, substantially in the form of Exhibit A hereto, except that such Designated Security shall not bear the Global Security Legend and shall not have the “Schedule of Exchanges of Interests in the Global Security” attached thereto.

“**Depository**” means The Depository Trust Company and its successors.

“**Designated Securities**” has the meaning ascribed in Section 3.1.

“**Euroclear**” means Euroclear Bank, S.A./N.V., as operator of the Euroclear System.

“**Fourth Supplemental Indenture**” means this instrument as originally executed or as it may from time to time be supplemented or amended in accordance with the terms of the Base Indenture.

“**Global Security Legend**” means the legend set forth in Section 3.10(f)(ii) hereof, which is required to be placed on all Global Securities issued under this Fourth Supplemental Indenture.

“**Global Securities**” means, individually and collectively, each of the Restricted Global Securities and the Unrestricted Global Securities deposited with or on behalf of and registered in the name of the Depository or its nominee, substantially in the form of Exhibit A, and that bears the Global Security Legend and that has the “Schedule of

Exchanges of Interests in the Global Security” attached thereto, issued in accordance with the Indenture.

“**Indirect Participant**” means a Person who holds a beneficial interest in a Global Security through a Participant.

“**Initial Designated Securities**” has the meaning ascribed in Section 3.2.

“**Interest Payment Date**” has the meaning ascribed in Section 3.4(b).

“**Issue Date**” means July 27, 2018.

“**Legal Holiday**” means a Saturday, a Sunday or a day on which commercial banking institutions are not required to be open in the State of New York.

“**Non-U.S. Person**” means a Person who is not a U.S. Person.

“**Participant**” means, with respect to the Depository, Euroclear or Clearstream, Luxembourg, a Person who has an account with the Depository, Euroclear or Clearstream, Luxembourg, respectively (and, with respect to DTC, shall include Euroclear and Clearstream, Luxembourg), as Indirect Participant.

“**Private Placement Legend**” means the legend set forth in Section 3.10(f)(i) hereof.

“**QIB**” means a “qualified institutional buyer” as defined in Rule 144A.

“**Regular Record Date**” means, with respect to the applicable Interest Payment Date, the close of business on the preceding January 15 and July 15, as the case may be.

“**Regulation S**” means Regulation S promulgated under the Securities Act.

“**Regulation S Global Security**” means a Regulation S Temporary Global Security or Regulation S Permanent Global Security, as appropriate.

“**Regulation S Permanent Global Security**” means a permanent Global Security in the form of Exhibit A hereto, bearing the Global Security Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depository or its nominee, issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Security upon expiration of the Restricted Period.

“**Regulation S Temporary Global Security**” means a temporary Global Security in the form of Exhibit A hereto, bearing the Global Security Legend, the Private Placement Legend and the Regulation S Temporary Global Security Legend and deposited with or on behalf of and registered in the name of the Depository or its nominee, issued in a denomination equal to the outstanding principal amount of the Designated Securities initially sold in reliance on Rule 903.

“Regulation S Temporary Global Security Legend” means the legend set forth in Section 3.10(f)(iii) hereof.

“Restricted Definitive Security” means a Definitive Security bearing the Private Placement Legend.

“Restricted Global Security” means a Global Security bearing the Private Placement Legend.

“Restricted Period” means the 40-day distribution compliance period as defined in Regulation S.

“Rule 144” means Rule 144 promulgated under the Securities Act.

“Rule 144A” means Rule 144A promulgated under the Securities Act.

“Rule 903” means Rule 903 promulgated under the Securities Act.

“Rule 904” means Rule 904 promulgated under the Securities Act.

“Stated Maturity” means August 1, 2028.

“Unrestricted Definitive Security” means one or more Definitive Securities that do not bear and are not required to bear the Private Placement Legend.

“Unrestricted Global Security” means a permanent Global Security, substantially in the form of Exhibit A hereto, that bears the Global Security Legend and that has the “Schedule of Exchanges of Interests in the Global Security” attached thereto, and that is deposited with or on behalf of and registered in the name of the Depository, representing Global Securities that do not bear and are not required to bear the Private Placement Legend.

“U.S. Person” means a U.S. person as defined in Rule 902(k) promulgated under the Securities Act.

Section 1.2 Conflict with Trust Indenture Act

If and to the extent that any provision of this Fourth Supplemental Indenture limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under the Trust Indenture Act to be a part of and govern this Fourth Supplemental Indenture, the latter provision shall control. If any provision of this Fourth Supplemental Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the former provision shall control.

Section 1.3 Effect of Headings and Table of Contents

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

Section 1.4 Successors and Assigns

All covenants and agreements in this Fourth Supplemental Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 1.5 Separability Clause

In case any provision in this Fourth Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.6 Benefits of Fourth Supplemental Indenture

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

Section 1.7 Governing Law

This Fourth Supplemental Indenture and the Designated Securities shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 1.8 Execution in Counterparts

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

Section 1.9 Recitals by the Company

The recitals in this Fourth Supplemental Indenture are made by the Company only and not by the Trustee, and all of the provisions contained in the Base Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of the Designated Securities and of this Fourth Supplemental Indenture as fully and with like effect as if set forth herein in full.

Section 1.10 Ratification and Incorporation of Base Indenture

As supplemented hereby, the Base Indenture is in all respects ratified and confirmed, and the Base Indenture and this Fourth Supplemental Indenture shall be read, taken and construed as one and the same instrument.

**ARTICLE II
AMENDMENTS TO THE BASE INDENTURE**

Section 2.1 Certain Terms Defined

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 1.1 of the Base Indenture is hereby amended in part to amend and restate the following definitions in their entirety, which shall read as follows:

Section 1.1 Certain Terms Defined

“Bankruptcy Law” means the U.S. Bankruptcy Code of 1978 (Title 11 of the United States Code), any other United States federal or state bankruptcy, insolvency or similar law.

“Corporate Trust Office” means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered, which office, on the date of original execution of this Indenture, is located at The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, United Kingdom, Fax: +44-(0)20-7964- 2536, Attention: Corporate Trust Administration or at any other time at such other address as the Trustee may designate from time to time by notice to the parties hereto, or at the principal corporate trust office of any successor trustee as to which such successor trustee may notify the parties hereto in writing.

“Overdue Rate” means, with respect to any Security or Securities, the rate designated as such in or pursuant to the resolution of the Board of Directors or the supplemental indenture, as the case may be, relating to such Security as contemplated by Section 3.1.

“Responsible Officer” means, with respect to the Trustee, any officer assigned to the Corporate Trust Office, responsible for administration of this Indenture, including any managing director, director, vice president, assistant vice president, assistant secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers, and also, with respect to a particular matter, any other officer, to whom such matter is referred because of such officer’s knowledge of and familiarity with the particular subject.

“Securities Registrar” has the meaning specified in Section 3.6.

Section 2.2 Amount Unlimited; Issuable in Series

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 3.1 of the Base Indenture is hereby amended in part to amend and restate Section 3.1(r) in its entirety, which shall read as follows:

Section 3.1 Amount Unlimited; Issuable in Series

(r) whether either or both of Section 12.2(b) relating to Legal Defeasance or Section 12.2(c) relating to Covenant Defeasance shall not be applicable to the Securities of such series, or any covenants in addition to those specified in Section 12.2(c) relating to the Securities of such series which shall be subject to Covenant Defeasance, and any deletions from, or modifications or additions to, the provisions of Article 12 in respect of the Securities of such series;

Section 2.3 Authentication, Dating and Delivery of Securities

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 3.3 of the Base Indenture is hereby amended in part to amend and restate Sections 3.3(c) and 3.3(d) in their entirety, each of which shall read as follows:

Section 3.3 Authentication, Dating and Delivery of Securities

(c) an Officer's Certificate complying with Section 13.6 hereof, which shall also state that all conditions precedent provided for in this Indenture relating to the issuance of such Securities have been complied with, that no Event of Default with respect to any series of Securities has occurred and is continuing and that, to the best knowledge of such Officer, the issuance of such Securities does not constitute and will not result in (i) any Event of Default or any event or condition, which, upon the giving of notice or the lapse of time or both, would become an Event of Default or (ii) any default under the provisions of any other material instrument or agreement by which the Company is bound; and

(d) an Opinion of Counsel complying with Section 13.6 hereof, which shall also state:

(i) that the form and the terms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Indenture;

(ii) that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and binding obligations of the Company enforceable in accordance with their terms, except to the extent enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance, fraudulent transfer and other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law); and

(iii) that no consent, approval, authorization, order, registration or qualification of or with any court or any governmental agency or body having jurisdiction over the Company is required for the execution and

delivery of such Securities by the Company, except such as have been obtained (and except that no opinion need be expressed as to securities or “blue sky” laws or any rule or regulation issued pursuant to securities or “blue sky” laws).

Notwithstanding the provisions of Section 3.1 and of the immediately preceding paragraph, with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive the Officer’s Certificate otherwise required pursuant to Section 3.3(c) and the Opinion of Counsel required by this Section 3.3(d) only once at or prior to the time of the first authentication and delivery of such Securities for each series (provided that such Officer’s Certificate and Opinion of Counsel addresses the authentication and delivery of all such Securities).

Section 2.4 Payment of Securities

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 4.1 of the Base Indenture is hereby amended and restated in its entirety as follows:

Section 4.1 Payment of Securities

The Company will duly and punctually pay or cause to be paid in the currency or currency unit in which the Securities of such series are payable, the principal of, any premium and interest on, the Securities of such series at the place or places, at the respective times and in the manner provided in such Securities and in the Indenture. The Company shall, before 11:00 a.m. (New York time), on each due date of the principal of, and premium, if any, or interest or any other amounts due on Securities of any series, deposit with the Paying Agent a sum in immediately available funds sufficient to pay such amounts becoming due, such sum to be held in trust by the Paying Agent for the benefit of Holders of such Securities.

If any payment in respect of any series of Securities provided for in this Section 4.1 is made late but otherwise in accordance with this Indenture, the Paying Agent for the Securities of such series shall make reasonable efforts to make such payment in respect of the Securities of such series. However, unless and until the full amount of any such payment has been made to the Paying Agent for payment to the Holders of Securities of such series, neither it nor any other Paying Agent will be bound (but shall be entitled) to make such payment.

If the Paying Agent pays out any amount due in respect of the Securities of any series before receipt of an amount due under this Section 4.1, the Paying Agent will promptly notify the Company and the Company shall on demand reimburse the Paying Agent for the relevant amount and pay interest to the Paying Agent on such amount that is outstanding from the date on which it is paid out to the date of reimbursement at the rate per annum equal to the cost to the Paying

Agent of funding the amount paid out, as certified by the Paying Agent. Such interest shall be compounded daily.

Section 2.5 [reserved]

Section 2.6 FATCA Compliance

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Article 4 of the Base Indenture is hereby amended by adding Section 4.12, which shall read as follows:

Section 4.12 FATCA Compliance

In order to assist each of the Trustee and any Paying Agent with its compliance with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended and the rules and regulations thereunder (as in effect from time to time, collectively, the “Applicable Law”) the Company agrees (i) to provide the Trustee and Paying Agent and any other paying agent with reasonably available information collected and stored in the Company’s ordinary course of business regarding holders of the Securities (solely in their capacity as such) and which is necessary for the Trustee and Paying Agent’s and any paying agent’s determination of whether it has tax related obligations under Applicable Law and (ii) that the Trustee and Paying Agent and any other paying agent shall be entitled to make any withholding or deduction from payments under the Indenture and any of the Securities to the extent necessary to comply with Applicable Law. Nothing in the immediately preceding sentence shall be construed as obligating the Company to make any “gross up” payment or similar reimbursement in connection with a payment in respect of which amounts are so withheld or deducted.

Section 2.7 Reports by the Company

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 5.3 of the Base Indenture is hereby amended in part to amend and restate the first and the last paragraph in their entirety, each of which shall read as follows:

Section 5.3 Reports by the Company

Unless otherwise specified with respect to Securities of a particular series pursuant to Section 3.1, so long as any Securities of such series are outstanding, if not filed electronically with the SEC through the SEC’s Electronic Data Gathering, Analysis, and Retrieval System (or any successor system), the Company will furnish to the Trustee and the Holders of Securities of such series, within 180 days of the end of each fiscal year for annual reports and within 75 days of the end of each fiscal quarter for quarterly reports:

[...]

The delivery of such reports, information and documents to the Trustee pursuant to this Section 5.3 is for informational purposes only and the Trustee's receipt of such shall not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates) other than with respect to Section 7.2.

Section 2.8 Control by Holders of Securities

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 6.9 of the Base Indenture is hereby amended in part to amend and restate the first paragraph in its entirety, which shall read as follows:

Section 6.9 Control by Holders of Securities

The Holders of a majority in aggregate principal amount of the Securities of each series affected (with each series voting as a separate class) at the time Outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Securities of such series by this Indenture; provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and provided, further, that (subject to the provisions of Section 7.1) the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, shall determine that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by a trust committee of Responsible Officers of the Trustee shall determine that the action or proceedings so directed would expose the Trustee to personal liability or if the Trustee in good faith shall so determine that the actions or forebearances specified in or pursuant to such direction would be unduly prejudicial to the interests of Holders of all other Securities so affected not joining in the giving of said direction, it being understood that (subject to Section 7.1) the Trustee shall have no duty to ascertain whether or not such actions or forebearances are unduly prejudicial to such Holders.

Section 2.9 Duties and Responsibilities of the Trustee; During Default; Prior to Default

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 7.1 of the Base Indenture is hereby amended in part to amend and restate the last paragraph in its entirety, which shall read as follows:

Section 7.1 Duties and Responsibilities of the Trustee; During Default; Prior to Default

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its

rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or indemnity satisfactory to it against such liability is not reasonably assured to it.

Section 2.10 Certain Rights of the Trustee

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 7.2 of the Base Indenture is hereby amended in part to amend and restate Section 7.2(n) in its entirety, which shall read as follows:

Section 7.2 Certain Rights of the Trustee

(n) In no event shall the Trustee be responsible or liable for any special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 2.11 Compensation and Indemnification of Trustee and Its Prior Claim

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 7.6 of the Base Indenture is hereby amended and restated in its entirety as follows:

Section 7.6 Compensation and Indemnification of Trustee and Its Prior Claim

The Company covenants and agrees to pay the Trustee (including in its roles as Paying Agent and Securities Registrar, as applicable) from time to time, and the Trustee shall be entitled to such compensation as the Company and the Trustee may from time to time agree in writing for all services rendered by the Trustee hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and the Company covenants and agrees to pay or reimburse the Trustee (and its counsel) and each predecessor trustee upon its request for all reasonable and properly incurred expenses, disbursements and advances incurred or made by or on behalf of it in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all agents and other Persons not regularly in its employ) except any such expense, disbursement or advance as shall be attributable to its negligence or bad faith. The Company also covenants to indemnify the Trustee (which for purposes of this Section 7.6 shall be deemed to include the Paying Agent and Securities Registrar, and which for purposes of this Section 7.6 shall be deemed to include its directors, officers, employees and agents) and each predecessor trustee for, and hold it harmless against, any loss, liability, damage, claims or expense, including taxes (other than taxes measured by the income of the Trustee or otherwise applicable to the Trustee for operations outside the scope of this Indenture) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Indenture or the trusts hereunder and

the performance of its duties hereunder, including the costs and expenses of defending itself against or investigating any claim of liability in connection with the exercise or performance of any of its powers or duties hereunder except to the extent that any such loss, liability, damage, claims or expense shall be attributable to the Trustee's negligence or bad faith. The obligations of the Company under this Section to compensate and indemnify the Trustee (including in its roles as Paying Agent and Securities Registrar, as applicable), (and its counsel) and each predecessor trustee and to pay or reimburse the Trustee and each predecessor trustee for expenses, disbursements and advances shall constitute additional obligations hereunder and shall survive the satisfaction and discharge of this Indenture and resignation or removal of the Trustee or any termination of the Indenture under any bankruptcy law. Whenever the Trustee renders services under Sections 6.1(d) and (e) hereof the parties hereto acknowledge that those services are intended to constitute expenses of administration under any bankruptcy law. Such additional obligations shall be secured by a Lien prior to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of particular Securities.

Section 2.12 Resignation and Removal; Appointment of Successor Trustee

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 7.10 of the Base Indenture is hereby amended in part to amend and restate Section 7.10(a) in its entirety, which shall read as follows:

Section 7.10 Resignation and Removal; Appointment of Successor Trustee

(a) The Trustee, or any trustee or trustees hereafter appointed, may at any time resign by giving written notice of resignation to the Company and by delivering notice thereof to Holders of the Securities at their last addresses as they shall appear on the Securities Register or otherwise in accordance with the procedures of the Depository. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee or trustees by written instrument in duplicate, executed by authority of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee or trustees. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the delivery of such notice of resignation, the resigning Trustee may petition at the expense of the Company any court of competent jurisdiction for the appointment of a successor trustee, or any Securityholder who has been a bona fide Holder of a Security or Securities for at least six months may, subject to the provisions of Section 6.12, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

Section 2.13 DTC Procedures

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Article 9 of the Base Indenture is hereby amended by adding Section 9.8, which shall read as follows:

Section 9.8 DTC Procedures

Alternatively, consents of Holders may be obtained without a meeting pursuant to The Depository Trust Company's applicable procedures or the procedures of any other relevant clearing system.

Section 2.14 Documents To Be Given to Trustee

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Article 10.5 of the Base Indenture is hereby amended in part to amend and restate Section 10.5, which shall read as follows:

Section 10.5 Documents To Be Given to Trustee

The Trustee, subject to the provisions of Section 7.1 and Section 7.2, shall be provided with an Officer's Certificate and an Opinion of Counsel in compliance with Section 13.6 hereof as conclusive evidence that any supplemental indenture executed pursuant to this Article complies with the applicable provisions of this Indenture and is authorized or permitted by this Indenture.

Section 2.15 Legal Defeasance and Covenant Defeasance

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 12.2 of the Base Indenture is hereby amended in part to amend and restate Sections 12.2(c), 12.2(d)(ii) and 12.2(d)(iii) in their entirety, each of which shall read as follows:

Section 12.2 Legal Defeasance and Covenant Defeasance

(c) Upon the Company's exercise of the option to have this Section 12.2(c) apply with respect to any Securities of or within a series, the Company shall, subject to the satisfaction of the conditions set forth in Section 12.2(d), be released from its obligations under the covenants contained in Sections 4.7, 4.9 and 5.3 and its obligations under any covenants contained in any supplemental indenture applicable to such Securities with respect to such Outstanding Securities on and after the date the conditions set forth in clause (d) of this Section 12.2 are satisfied (hereinafter, "Covenant Defeasance"), and such Securities shall thereafter be deemed to be not "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with any such covenant or obligation, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose,

Covenant Defeasance means that, with respect to such Outstanding Securities, the Company may omit to comply with, and shall have no liability in respect of, any term, condition or limitation set forth in any such Section or such other covenant or obligation, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or such other covenant or obligation or by reason of reference in any such Section or such other covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.1 but, except as specified above, the remainder of this Indenture and such Securities shall be unaffected thereby. In addition, upon the Company's exercise of the option to have this Section 12.2(c) apply with respect to any Securities of or within a series, subject to the satisfaction of the conditions set forth in Section 12.2(d), Sections 6.1(c), 6.1(d) and 6.1(f) shall not constitute Events of Default.

(d)(ii) in the case of Legal Defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel of recognized standing with respect to U.S. federal income tax matters confirming that, subject to customary assumptions and exclusions, (x) the Company has received from, or there has been published by, the United States Internal Revenue Service a ruling, or (y) since the issuance of the Securities of such series, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that the holders of the Securities of such series will not recognize income, gain or loss for U.S. federal income tax purposes, as applicable, as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(d)(iii) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel of recognized standing with respect to U.S. federal income tax matters confirming that, subject to customary assumptions and exclusions, the holders of the Securities of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

Section 2.16 Notices to Holders; Waiver

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 13.4 of the Base Indenture is hereby amended in part to amend and restate the first paragraph in its entirety, which shall read as follows:

Section 13.4 Notices to Holders; Waiver

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in

writing and delivered to such Holders as their names and addresses appear on the Securities Register or otherwise in accordance with the procedures of the Depository within the time prescribed. All notices and communications (other than those sent to Holders) shall be in writing and shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five calendar days after being deposited in the mail, postage prepaid, if mailed by first-class mail; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Section 2.17 Addresses for Notices

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 13.5 of the Base Indenture is hereby amended and restated in its entirety to read as follows:

Section 13.5 Address for Notices

Any notice or demand which by any provision of this Indenture is required or permitted to be given or delivered by the Trustee or by the Holders of Securities of any series on the Company may be given or served by registered mail or facsimile addressed (until another address is filed by the Company with the Trustee) as follows: The Narragansett Electric Company, 280 Melrose Street, Providence, Rhode Island 02907, United States of America, Attention: Treasurer, with a copy to Linklaters LLP, 1345 Avenue of the Americas, New York, New York 10105, Fax No.:+1 (212) 903-9100; Attention: Jeffrey Cohen. Any notice, direction, request or demand by the Company or any Holders of Securities of any series to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if received at the Corporate Trust Office of such Trustee.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, pdf, facsimile transmission or other similar unsecured electronic methods, provided, however, that the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Company elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Company agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Notwithstanding any other provision of this Indenture or any Security, where this Indenture or any Security provides for notice of any event or any other communication (including any notice of redemption or repurchase) to a holder of a Global Security (whether by mail or otherwise), such notice shall be sufficiently given if given to the Depository (or its designee) pursuant to the standing instructions from the Depository or its designee, including by electronic mail in accordance with applicable procedures at the Depository.

Section 2.18 Officer's Certificates and Opinions of Counsel; Statements to Be Contained Therein

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 13.6 of the Base Indenture is hereby amended in part to amend and restate the second paragraph in its entirety, which shall read as follows:

Section 13.6 Officer's Certificates and Opinions of Counsel; Statements to Be Contained Therein

Each certificate or opinion provided for in this Indenture (other than annual certificates provided pursuant to Section 4.9) and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the Person making such certificate or opinion has read such covenant or condition, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (c) a statement that, in the opinion of 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 (d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

Section 2.19 Submission to Jurisdiction; Waiver of Jury Trial.

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 13.11 of the Base Indenture is hereby amended and restated in its entirety to read as follows:

Section 13.11 Submission to Jurisdiction; Waiver of Jury Trial

EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF ANY U.S. FEDERAL OR NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN, NEW YORK, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE OR THE SECURITIES, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND

UNCONDITIONALLY WAIVES ANY OBJECTION TO VENUE AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS INDENTURE SHALL AFFECT ANY RIGHT THAT THE COMPANY, THE TRUSTEE OR ANY HOLDER OF SECURITIES MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS INDENTURE AGAINST ANY PARTY HERETO OR ITS PROPERTIES IN THE COURTS OF ANY OTHER JURISDICTION. THE COMPANY, THE HOLDERS AND THE TRUSTEE HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE OR ANY SECURITY

Section 2.20 Notice of Redemption; Selection of Securities

With respect to any series of Securities issued under the Base Indenture on or after the date hereof, including the Designated Securities, Section 14.2 of the Base Indenture is hereby amended in part to amend and restate the fifth paragraph in its entirety, which shall read as follows:

Section 14.2 Notice of Redemption; Selection of Securities

If the Company is redeeming less than all of the Securities of any series issued by it at any time, the Depository will select the Securities of such series to be redeemed (a) if the Securities of such series are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Securities of such series are listed, (b) on a pro rata basis to the extent practicable or, if a pro rata basis is not practicable for any reason, by lot or by such other method as the Depository shall deem fair and appropriate, in accordance with the procedures of DTC, or (c) by lot or such other similar method in accordance with the procedures of the Depository.

ARTICLE III DESIGNATED SECURITIES

Section 3.1 Creation of Designated Securities

There is hereby created a new series of Securities to be issued under the Indenture, to be designated as "3.919% Senior Notes due 2028" (the "**Designated Securities**").

Section 3.2 Aggregate Principal Amount of Designated Securities

The aggregate principal amount of the Designated Securities shall initially be limited to \$350,000,000 (except for Designated Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Designated Securities pursuant to Sections 3.6, 3.7, 3.10 or 10.6 of the Base Indenture and except for any Designated Securities which, pursuant to Section 3.3 of the Base Indenture, are deemed never to have been authenticated and delivered under the Indenture) (the “**Initial Designated Securities**”). The Company may create and issue an unlimited amount of additional Designated Securities from time to time, without notice to or the consent of the Holders of the Designated Securities, having the same terms and conditions in all material respects as the related Initial Designated Securities (“**Additional Designated Securities**”). Any Additional Designated Securities shall be consolidated with and form a single class with the related Initial Designated Securities and have the same terms as to status, redemption or otherwise as the related Initial Designated Securities. Any Additional Designated Securities issued with the same CUSIP, ISIN or other identifying number as that of the related Initial Designated Securities shall be issued with no more than a *de minimis* amount of original issue discount, or as part of a qualified reopening, in each case for U.S. federal income tax purposes. Unless the context otherwise requires, references to “Designated Securities” for all purposes of this Fourth Supplemental Indenture include the Initial Designated Securities and any Additional Designated Securities actually issued.

Section 3.3 Payment of Principal

The principal of the Outstanding Designated Securities shall be due and payable at the Stated Maturity.

Section 3.4 Interest and Interest Rate

- (a) The Designated Securities will bear interest at 3.919% per annum from the Issue Date until their Maturity.
- (b) The Company will pay interest on the Designated Securities semi-annually in arrears on February 1 and August 1 of each year, commencing February 1, 2019, until Maturity, and at Maturity (each an “**Interest Payment Date**”).
- (c) Interest on the Designated Securities will be computed on the basis of a 360-day year comprised of twelve 30-day months. Except as described below for the first Interest Payment Date, on each Interest Payment Date, the Company will pay interest on the Designated Securities for the period commencing on and including the immediately preceding Interest Payment Date and ending on and excluding such Interest Payment Date.
- (d) On the first Interest Payment Date, the Company will pay interest for the period commencing on and including the Issue Date and ending on and excluding the first Interest Payment Date.
- (e) If any Interest Payment Date falls on a day that is not a Business Day, the interest payment shall be postponed to the next day that is a Business Day, without

interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.

- (f) If the Maturity of any Designated Security is not a Business Day, payment of principal, premium, if any, and interest on the applicable Designated Security will be made on the next succeeding day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.
- (g) Interest on each Designated Security will be paid only to the Person in whose name such Designated Security was registered at the close of business on the Regular Record Date for the applicable Interest Payment Date.

Section 3.5 Taxation

All payments of principal and interest in respect of the Designated Securities by the Company will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by any governmental authority unless such withholding or deduction is required by law. If an amount in respect of any taxes were legally required to be deducted or withheld from interest, principal or other payments on the Designated Securities, no additional amounts shall be paid as a result of the deduction or withholding.

In order to assist the Trustee and Paying Agent with its compliance with Section 1471 through 1474 of the U. S. Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder (as in effect from time to time, collectively, the "Applicable Law") the Company agrees (i) to provide the Trustee and Paying Agent and any other paying agent reasonably available information collected and stored in the Company's ordinary course of business regarding holders of the Designated Securities (solely in their capacity as such) and which is necessary for the Trustee and Paying Agent's and any paying agent's determination of whether it has tax related obligations under Applicable Law and (ii) that the Trustee and Paying Agent and any paying agent shall be entitled to make any withholding or deduction from payments under the Indenture and the Designated Securities to the extent necessary to comply with Applicable Law. Nothing in the immediately preceding sentence shall be construed as obligating the Company to make any "gross up" payment or similar reimbursement in connection with a payment in respect of which amounts are so withheld or deducted.

Section 3.6 Paying Agent

- (a) Upon the terms and subject to the conditions contained herein, the Company hereby appoints The Bank of New York Mellon, acting through its London Branch, as the initial Paying Agent under the Indenture for the purpose of performing the functions of the Paying Agent with respect to the Designated Securities.
- (b) The Paying Agent shall exercise due care in performing the functions of the Paying Agent for the Designated Securities.

- (c) The Paying Agent accepts its obligations set forth herein, upon the terms and subject to the conditions hereof, including the following, to all of which the Company agrees:
- (i) The Paying Agent shall be entitled to such compensation as may be agreed in writing with the Company for all services rendered by the Paying Agent, and the Company promises to pay such compensation and to reimburse the Paying Agent for the reasonable out-of-pocket expenses (including reasonable counsel fees and expenses) properly incurred by it in connection with the services rendered by it hereunder upon receipt of such invoices as the Company shall reasonably require. The Company agrees to indemnify the Paying Agent (which for purposes of this subsection shall include its directors, officers, employees and agents) for, and to hold it harmless against, any and all loss, liability, damage, claims or reasonable expenses (including the costs and expenses of defending against any claim of liability) properly incurred by the Paying Agent that arises out of or in connection with its acting as Paying Agent hereunder, except such as may result from the negligence, willful misconduct or bad faith of the Paying Agent or any of its agents or employees. The Paying Agent shall incur no liability and shall be indemnified and held harmless by the Company for, or in respect of, any action taken or omitted by it in good faith in reliance upon written instructions from the Company. The provisions of this paragraph shall survive the termination of this Fourth Supplemental Indenture and the resignation or removal of the Paying Agent.
 - (ii) In acting under the Indenture and in connection with the Designated Securities, the Paying Agent is acting solely as agent of the Company and does not assume any obligations to, or relationship of agency or trust for or with, any of the Holders of the Designated Securities.
 - (iii) The Paying Agent shall be protected and shall incur no liability for or in respect of any action taken or omitted to be taken or anything suffered by it in reliance upon the terms of the Designated Securities or any document, including any resolution, Officer's Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon or security (whether in original or facsimile form), believed by it to be genuine and to have been signed or presented by the proper party or parties.
 - (iv) The duties and obligations of the Paying Agent shall be determined solely by the express provisions of the Indenture, and the Paying Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Paying Agent.

- (v) Unless herein otherwise specifically provided, any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed).
 - (vi) The Paying Agent may, upon obtaining the prior written consent of the Company (which consent shall not be unreasonably withheld) perform any duties hereunder either directly or by or through agents or attorneys not regularly in its employ, and the Paying Agent shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder.
 - (vii) Sections 7.2(c), 7.2(e), 7.2(i) and 7.2(j) of the Base Indenture are also deemed applicable to the Paying Agent.
 - (viii) None of the provisions hereunder shall require the Paying Agent to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.
 - (ix) In no event shall the Paying Agent be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused by, directly or indirectly, forces beyond its reasonable control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services; it being understood that the Paying Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.
- (d) (i) The Paying Agent may at any time resign as Paying Agent by giving written notice to the Company of such intention on its part, specifying the date on which its desired resignation shall become effective; provided, however, that such date shall not be earlier than 60 days after the receipt of such notice by the Company, unless the Company agrees in writing to accept less notice. The Paying Agent may be removed (with or without cause) at any time by the filing with it of any instrument in writing signed on behalf of the Company by any proper officer or an authorized person thereof and specifying such removal and the date when it is intended to become effective (such date shall not be earlier than 60 days after the receipt of such instrument by the Paying Agent, unless otherwise agreed by the parties), subject to (if such Paying Agent is not also the Trustee) the written consent of the Trustee, which consent shall not be unreasonably withheld. Notwithstanding the provisions of this Section 3.6(d)(i), such resignation or removal shall take effect only upon the date of the appointment by the Company,

as hereinafter provided, and the acceptance thereof, of a successor Paying Agent. If within 30 days after notice of resignation or removal has been received, a successor Paying Agent has not been appointed, the Paying Agent may petition a court of competent jurisdiction to appoint a successor Paying Agent at the Company's cost, as per Section 3.6(c)(i) hereof. A successor Paying Agent shall be appointed by the Company by an instrument in writing signed on behalf of the Company by any proper officer or an authorized person thereof and the successor Paying Agent. Upon the appointment of a successor Paying Agent and acceptance by it of such appointment, the Paying Agent so succeeded shall cease to be such Paying Agent hereunder. Upon its resignation or removal, the Paying Agent shall be entitled to the payment by the Company of its compensation, if any is owed to it, for services rendered hereunder and to the reimbursement of all reasonable and properly incurred out-of-pocket expenses incurred in connection with the services rendered by it hereunder, in each case as per Section 3.6(c)(i) hereof.

- (ii) Any successor Paying Agent appointed hereunder shall execute and deliver to its predecessor and to the Company an instrument accepting such appointment hereunder, and thereupon such successor Paying Agent, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of such predecessor with like effect as if originally named as such Paying Agent hereunder, and such predecessor, upon payment by the Company of its charges and disbursements then unpaid, shall thereupon become obliged to transfer and deliver, and such successor Paying Agent shall be entitled to receive, copies of any relevant records maintained by such predecessor Paying Agent.
- (iii) Any Person into which the Paying Agent may be merged or converted or with which the Paying Agent may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Paying Agent shall be a party, or any Person succeeding to all or substantially all of the assets and business of the Paying Agent, or all or substantially all of the corporate trust business of the Paying Agent shall, to the extent permitted by applicable law and provided that it shall have an established place of business in New York, New York, be the successor Paying Agent under the Indenture without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notice of any such merger, conversion, consolidation or sale shall be given to the Company as promptly as practicable following such merger, conversion, consolidation or sale.
- (iv) Any notice required to be given by the Paying Agent to any other Person hereunder shall be given in accordance with Section 13.5 of the Base Indenture. Any notice to be given to the Paying Agent shall be delivered in person, sent by first class mail or overnight air courier guaranteeing next day delivery or communicated by facsimile, to the following address (or to any other address of which the Paying Agent shall have notified the

Company in writing): The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, United Kingdom, Fax: +44 (0) 20-7964-2536, Attention: Corporate Trust Administration, with a copy to: The Bank of New York Mellon, London Branch, Merck House, Seldown Poole BH15 1PX, United Kingdom, Fax: +44-(0)20-7964-2536, Attention: EMEA Conventional Debt 4. All notices shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five calendar days after being deposited in the mail, postage prepaid, if mailed by first-class mail; when receipt acknowledged, if faxed; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Section 3.7 Place of Payment

The place or places where, subject to the provisions of Section 4.2 of the Base Indenture, the principal of, premium, if any, and interest, if any, on the Designated Securities shall be payable, Designated Securities may be surrendered for registration, transfer or exchange and notices and demands to or upon the Company in respect of the Designated Securities and the Indenture may be served shall be the Corporate Trust Office of the Trustee in the United States.

Section 3.8 Denominations

The Designated Securities shall be issued in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Section 3.9 Form; Terms

- (a) The Designated Securities shall be substantially in the form of Exhibit A. The Designated Securities may have notations, legends or endorsements required by law, stock exchange rules or usage.
- (b) Designated Securities issued in global form shall be substantially in the form of Exhibit A (including the Global Security Legend thereon and the "Schedule of Exchanges of Interests in the Global Security" attached thereto). Designated Securities issued in definitive form shall be substantially in the form of Exhibit A attached hereto (but without, in each case, the Global Security Legend thereon and without the "Schedule of Exchanges of Interests in the Global Security" attached thereto). Each Global Security shall represent such of the outstanding Designated Securities as shall be specified in the "Schedule of Exchanges of Interests in the Global Security" attached thereto and each shall provide that it shall represent up to the aggregate principal amount of Designated Securities from time to time endorsed thereon and that the aggregate principal amount of outstanding Designated Securities represented thereby may from time to time be reduced or increased, as applicable, to reflect exchanges and redemptions. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Designated Securities

represented thereby shall be made by the Trustee, in accordance with instructions given by the Holder thereof as required by Section 3.10 hereof.

- (c) Designated Securities offered and sold in reliance on Regulation S shall be issued initially in the form of the Regulation S Temporary Global Security, which shall be deposited on behalf of the purchasers of the Designated Securities represented thereby with the Trustee, as custodian for the Depository, and registered in the name of the Depository or the nominee of the Depository for the accounts of designated agents holding on behalf of Euroclear or Clearstream, Luxembourg, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The Restricted Period shall be terminated upon the receipt by the Trustee of:
- (i) a written certificate from the Depository (if available), together with copies of certificates from Euroclear and Clearstream, Luxembourg (if available) certifying that they have received certification of non-United States beneficial ownership of 100% of the aggregate principal amount of each Regulation S Temporary Global Security (except to the extent of any beneficial owners thereof who acquired an interest therein during the Restricted Period pursuant to another exemption from registration under the Securities Act and who shall take delivery of a beneficial ownership interest in a 144A Global Security bearing a Private Placement Legend, all as contemplated by Section 3.10(b) hereof); and
 - (ii) an Officer's Certificate from the Company.

Following the termination of the Restricted Period, beneficial interests in each Regulation S Temporary Global Security shall be exchanged for beneficial interests in the Regulation S Permanent Global Security of the same series pursuant to the Applicable Procedures. Simultaneously with the authentication of the corresponding Regulation S Permanent Global Security, the Trustee shall cancel the corresponding Regulation S Temporary Global Security. The aggregate principal amount of a Regulation S Temporary Global Security and the Regulation S Permanent Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository or its nominee, as the case may be, in connection with transfers of interest as hereinafter provided.

- (d) The terms and provisions contained in the Designated Securities shall constitute, and are hereby expressly made, a part of the Indenture, and the Company and the Trustee, by their execution and delivery of this Fourth Supplemental Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Designated Security conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

- (e) The provisions of the “Operating Procedures of the Euroclear System” and “Terms and Conditions Governing Use of Euroclear” and the “General Terms and Conditions of Clearstream Banking” and “Customer Handbook” of Clearstream, Luxembourg shall be applicable to transfers of beneficial interests in the Regulation S Temporary Global Security and the Regulation S Permanent Global Securities that are held by Participants through Euroclear or Clearstream, Luxembourg.

Section 3.10 Transfer and Exchange

The transfer or exchange of Designated Securities shall be effected in accordance with Section 3.6 of the Base Indenture and this Section 3.10.

- (a) **Transfer and Exchange of Global Securities** Except as otherwise set forth in this Section 3.10, a Global Security may be transferred, in whole and not in part, only to another nominee of the Depository or to a successor Depository or a nominee of such successor Depository. A beneficial interest in a Global Security may not be exchanged for a Definitive Security unless (i) the Depository (x) notifies the Company that it is unwilling or unable to continue as Depository for such Global Security or (y) has ceased to be a clearing agency registered under the Exchange Act and, in either case, a successor Depository is not appointed by the Company within 120 days or (ii) there shall have occurred and be continuing an Event of Default with respect to the Designated Securities. Upon the occurrence of any of the preceding events in (i) or (ii) above, Definitive Securities delivered in exchange for any Global Security or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the Depository (in accordance with its customary procedures). Global Securities also may be exchanged or replaced, in whole or in part, as provided in Sections 3.7 and 3.10 of the Base Indenture. Every Designated Security authenticated and delivered in exchange for, or in lieu of, a Global Security or any portion thereof, pursuant to this Section 3.10 or Sections 3.7 or 3.10 of the Base Indenture, shall be authenticated and delivered in the form of, and shall be, a Global Security, except for Definitive Securities issued subsequent to any of the preceding events in (i) or (ii) above and pursuant to Section 3.10(c) hereof. A Global Security may not be exchanged for another Designated Security other than as provided in this Section 3.10(a); provided, however, beneficial interests in a Global Security may be transferred and exchanged as provided in Section 3.10(b), (c) or (d) hereof.
- (b) **Transfer and Exchange of Beneficial Interests in the Global Securities** The transfer and exchange of beneficial interests in the Global Securities shall be effected through the Depository, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Securities shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Securities also shall require compliance with either

subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

- (i) **Transfer of Beneficial Interests in the Same Global Security** Beneficial interests in any Restricted Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Security in accordance with the transfer restrictions set forth in the Private Placement Legend; provided, however, that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Regulation S Temporary Global Security may not be made to a U.S. Person or for the account or benefit of a U.S. Person. Beneficial interests in any Unrestricted Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Security. No written orders or instructions shall be required to be delivered to the Securities Registrar to effect the transfers described in this Section 3.10(b)(i).

- (ii) **All Other Transfers and Exchanges of Beneficial Interests in Global Securities** In connection with all transfers and exchanges of beneficial interests that are not subject to Section 3.10(b)(i) hereof, the transferor of such beneficial interest must deliver to the Securities Registrar either (A) both (1) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to credit or cause to be credited a beneficial interest in another Global Security in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B) both (1) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to cause to be issued a Definitive Security of the same series in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depository to the Securities Registrar containing information regarding the Person in whose name such Definitive Security shall be registered to effect the transfer or exchange referred to in (1) above; provided that in no event shall Definitive Securities be issued upon the transfer or exchange of beneficial interests in the Regulation S Temporary Global Security prior to (A) the expiration of the Restricted Period and (B) the receipt by the Securities Registrar of any certificates required pursuant to Rule 903. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Securities contained in this Indenture and the Designated Securities or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Securities pursuant to Section 3.10(g) hereof.

- (iii) **Transfer of Beneficial Interests to Another Restricted Global Security** A beneficial interest in any Restricted Global Security may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Security if the transfer complies with the requirements of Section 3.10(b)(ii) hereof and the Securities Registrar receives the following:
- (A) if the transferee will take delivery in the form of a beneficial interest in a 144A Global Security, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; or
 - (B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Security, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.
- (iv) **Transfer and Exchange of Beneficial Interests in a Restricted Global Security for Beneficial Interests in an Unrestricted Global Security** A beneficial interest in any Restricted Global Security may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Security or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security if the exchange or transfer complies with the requirements of Section 3.10(b)(ii) hereof the Securities Registrar receives the following:
- (A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Security of the same series, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or
 - (B) if the holder of such beneficial interest in a Restricted Global Security proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Security of the same series, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in subparagraph (A) or (B), if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to clause (iv) above at a time when an Unrestricted Global Security has not yet been issued, the Company shall issue and, upon receipt of a Company Order in accordance with Section 3.3 of the Base Indenture, the Trustee shall authenticate one or more Unrestricted Global Securities in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (A) or (B) above.

Beneficial interests in an Unrestricted Global Security cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Security.

(c) **Transfer or Exchange of Beneficial Interests for Definitive Securities**

(i) **Beneficial Interests in Restricted Global Securities to Restricted Definitive Securities** If any holder of a beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a Restricted Definitive Security or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Security, then, upon the occurrence of any of the events in paragraph (i) or (ii) of Section 3.10(a) hereof and receipt by the Securities Registrar of the following documentation:

- (A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a Restricted Definitive Security, a certificate from such holder substantially in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;
- (B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (1) thereof;
- (C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (2) thereof;
- (D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(a) thereof;
- (E) if such beneficial interest is being transferred to the Company or any of its Restricted Subsidiaries, a certificate substantially in

the form of Exhibit B hereto, including the certifications in item (3)(b) thereof; or

- (F) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Security to be reduced accordingly pursuant to Section 3.10(g) hereof, and the Company shall execute and the Trustee shall authenticate and mail to the Person designated in the instructions a Definitive Security in the applicable principal amount. Any Definitive Security issued in exchange for a beneficial interest in a Restricted Global Security pursuant to this Section 3.10(c)(i) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Securities Registrar through instructions from the Depository and the Participant or Indirect Participant. The Trustee shall mail such Definitive Securities to the Persons in whose names such Designated Securities are so registered at the address appearing in the Securities Register. Any Definitive Security issued in exchange for a beneficial interest in a Restricted Global Security pursuant to this Section 3.10(c)(i) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

- (ii) **Beneficial Interests in Regulation S Temporary Global Security to Definitive Securities** Notwithstanding Sections 3.10(c)(i)(A) and (C) hereof, a beneficial interest in the Regulation S Temporary Global Security may not be exchanged for a Definitive Security or transferred to a Person who takes delivery thereof in the form of a Definitive Security prior to (A) the expiration of the Restricted Period and (B) the receipt by the Securities Registrar of any certificates required pursuant to Rule 903 of the Securities Act, except in the case of a transfer pursuant to an exemption from the registration requirements of the Securities Act other than Rule 903 or Rule 904.
- (iii) **Beneficial Interests in Restricted Global Securities to Unrestricted Definitive Securities** A holder of a beneficial interest in a Restricted Global Security may exchange such beneficial interest for an Unrestricted Definitive Security or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Security only upon the occurrence of any of the events in subsection (i) or (ii) of Section 3.10(a) hereof and if the Securities Registrar receives the following:
 - (A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for an Unrestricted Definitive Security, a certificate from such holder

substantially in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

- (B) if the holder of such beneficial interest in a Restricted Global Security proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Security, a certificate from such holder substantially in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (A) or (B) above, if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

- (iv) **Beneficial Interests in Unrestricted Global Securities to Unrestricted Definitive Securities** If any holder of a beneficial interest in an Unrestricted Global Security proposes to exchange such beneficial interest for a Definitive Security or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Security, then, upon the occurrence of any of the events in subsection (i) or (ii) of Section 3.10(a) hereof and satisfaction of the conditions set forth in Section 3.10(b)(ii) hereof, the Trustee shall cause the aggregate principal amount of the applicable Global Security to be reduced accordingly pursuant to Section 3.10(g) hereof, and the Company shall execute and the Trustee shall authenticate and mail to the Person designated in the instructions a Definitive Security in the applicable principal amount. Any Definitive Security issued in exchange for a beneficial interest pursuant to this Section 3.10(c)(iv) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Securities Registrar through instructions from or through the Depository and the Participant or Indirect Participant. The Trustee shall mail such Definitive Securities to the Persons in whose names such Securities are so registered. Any Definitive Security issued in exchange for a beneficial interest pursuant to this Section 3.10(c)(iv) shall not bear the Private Placement Legend.

- (d) **Transfer and Exchange of Definitive Securities for Beneficial Interests**

- (i) **Restricted Definitive Securities to Beneficial Interests in Restricted Global Securities** If any Holder of a Restricted Definitive Security proposes to exchange such Designated Security for a beneficial interest in a Restricted Global Security or to transfer such Restricted Definitive Security to a Person who takes delivery thereof in the form of a beneficial

interest in a Restricted Global Security, then, upon receipt by the Securities Registrar of the following documentation:

- (A) if the Holder of such Restricted Definitive Security proposes to exchange such Designated Security for a beneficial interest in a Restricted Global Security, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;
- (B) if such Restricted Definitive Security is being transferred to a QIB in accordance with Rule 144A, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (1) thereof;
- (C) if such Restricted Definitive Security is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (2) thereof;
- (D) if such Restricted Definitive Security is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(a) thereof;
- (E) if such Restricted Definitive Security is being transferred to the Company or any of its Restricted Subsidiaries, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(b) thereof; or
- (F) if such Restricted Definitive Security is being transferred pursuant to an effective registration statement under the Securities Act, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(c) thereof;

the Trustee shall cancel the Restricted Definitive Security, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the applicable Restricted Global Security, in the case of clause (B) above, the applicable 144A Global Security, and in the case of clause (C) above, the applicable Regulation S Global Security.

- (ii) **Restricted Definitive Securities to Beneficial Interests in Unrestricted Global Securities** A Holder of a Restricted Definitive Security may exchange such Designated Security for a beneficial interest in an Unrestricted Global Security or transfer such Restricted Definitive Security to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security only if the Securities Registrar receives the following:

- (A) if the Holder of such Definitive Securities proposes to exchange such Designated Securities for a beneficial interest in the Unrestricted Global Security, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or
- (B) if the Holder of such Definitive Securities proposes to transfer such Designated Securities to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Security, a certificate from such Holder substantially in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subsection (A) or (B) above, if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 3.10(d)(ii), the Trustee shall cancel the Definitive Securities and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Security.

- (iii) **Unrestricted Definitive Securities to Beneficial Interests in Unrestricted Global Securities** A Holder of an Unrestricted Definitive Security may exchange such Designated Security for a beneficial interest in an Unrestricted Global Security or transfer such Definitive Securities to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security at any time. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the applicable Unrestricted Definitive Security and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Securities.

If any such exchange or transfer from a Definitive Security to a beneficial interest is effected pursuant to clauses (ii) or (iii) above at a time when an Unrestricted Global Security has not yet been issued, the Company shall issue and, upon receipt of a Company Order in accordance with Section 3.3 of the Base Indenture, the Trustee shall authenticate one or more Unrestricted Global Securities in an aggregate principal amount equal to the principal amount of Definitive Securities so transferred.

- (e) **Transfer and Exchange of Definitive Securities for Definitive Securities** Upon request by a Holder of Definitive Securities and such Holder's compliance with the provisions of this Section 3.10(e), the Securities Registrar shall register the

transfer or exchange of Definitive Securities. Prior to such registration of transfer or exchange, the requesting Holder shall present or surrender to the Securities Registrar the Definitive Securities duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Securities Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 3.10(e):

- (i) **Restricted Definitive Securities to Restricted Definitive Securities**
Any Restricted Definitive Security may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Security if the Securities Registrar receives the following:
 - (A) if the transfer will be made to a QIB in accordance with Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;
 - (B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; or
 - (C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications required by item (3) thereof, if applicable.
- (ii) **Restricted Definitive Securities to Unrestricted Definitive Securities**
Any Restricted Definitive Security may be exchanged by the Holder thereof for an Unrestricted Definitive Security or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Security if the Securities Registrar receives the following:
 - (A) if the Holder of such Restricted Definitive Securities proposes to exchange such Designated Securities for an Unrestricted Definitive Security, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or
 - (B) if the Holder of such Restricted Definitive Securities proposes to transfer such Designated Securities to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Security, a certificate from such Holder substantially in the form

of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subsection (A) or (B) above, if the Securities Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(iii) **Unrestricted Definitive Securities to Unrestricted Definitive Securities** A Holder of Unrestricted Definitive Securities may transfer such Designated Securities to a Person who takes delivery thereof in the form of an Unrestricted Definitive Security. Upon receipt of a request to register such a transfer, the Securities Registrar shall register the Unrestricted Definitive Securities pursuant to the instructions from the Holder thereof.

(f) **Legends** The following legends shall appear on the face of all Global Securities and Definitive Securities issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture:

(i) Private Placement Legend

(A) Except as permitted by subparagraph (B) below, each Global Security and each Definitive Security (and all Designated Securities issued in exchange therefor or substitution therefor) shall bear the legend in substantially the following form:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE NARRAGANSETT ELECTRIC COMPANY OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE

144A UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT, AN "ACCREDITED INVESTOR") THAT, PRIOR TO SUCH TRANSFER, FURNISHES (OR HAS FURNISHED ON ITS BEHALF BY A U.S. BROKER-DEALER) TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE FOR THIS SECURITY), (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE NARRAGANSETT ELECTRIC COMPANY SO REQUESTS), OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF THE SECURITY EVIDENCED HEREBY. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN ONE YEAR AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY, IF THE PROPOSED TRANSFEREE IS AN ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND THE NARRAGANSETT ELECTRIC COMPANY SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS ANY OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATIONS UNDER THE SECURITIES ACT."

- (B) Notwithstanding the foregoing, any Global Security or Definitive Security issued pursuant to subparagraph (b)(iv), (c)(iii), (c)(iv), (d)(ii), (d)(iii), (e)(ii) or (e)(iii) of this Section 3.10 (and all Designated Securities issued in exchange therefor or substitution thereof) shall not bear the Private Placement Legend.
- (ii) **Global Security Legend** Each Global Security shall bear a legend in substantially the following form:

“THIS GLOBAL SECURITY IS HELD BY THE DEPOSITORY (AS DEFINED IN THE INDENTURE GOVERNING THIS SECURITY) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 3.10(g) OF THE FOURTH SUPPLEMENTAL INDENTURE, (II) THIS GLOBAL SECURITY MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 3.10(a) OF THE FOURTH SUPPLEMENTAL INDENTURE, (III) THIS GLOBAL SECURITY MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 3.9 OF THE BASE INDENTURE AND (IV) THIS GLOBAL SECURITY MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITORY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUER.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”) TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO

ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.”

- (iii) **Regulation S Temporary Global Security Legend** The Regulation S Temporary Global Security shall bear a legend in substantially the following form:

“BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON, NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON, AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.”

- (g) **Cancellation and/or Adjustment of Global Securities** At such time as all beneficial interests in a particular Global Security have been exchanged for Definitive Securities or a particular Global Security has been redeemed, repurchased or canceled in whole and not in part, each such Global Security shall be returned to or retained and canceled by the Trustee in accordance with Section 3.9 of the Base Indenture. At any time prior to such cancellation, if any beneficial interest in a Global Security is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security or for Definitive Securities, the principal amount of Securities represented by such Global Security shall be reduced accordingly and an endorsement shall be made on such Global Security by the Trustee or by the Depository at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security, such other Global Security shall be increased accordingly and an endorsement shall be made on such Global Security by the Trustee or by the Depository at the direction of the Trustee to reflect such increase.
- (h) **Automatic Exchange from Restricted Global Security to Unrestricted Global Security** At the option of the Company and upon compliance with the following procedures, beneficial interests in a Restricted Global Security shall be exchanged for beneficial interests in an Unrestricted Global Security. In order to effect such exchange, the Company shall provide written notice to the Trustee instructing the Trustee to (i) direct the Depository to transfer the specified amount of the outstanding beneficial interests in a particular Restricted Global Security to an Unrestricted Global Security and provide the Depository with all such information as is necessary for the Depository to appropriately credit and debit the relevant Holder accounts and (ii) provide prior written notice to all Holders of such exchange, which notice must include the date such exchange is proposed to occur, the CUSIP number of the relevant Restricted Global Security and the CUSIP number of the Unrestricted Global Security into which such Holders’ beneficial interests will be exchanged. As a condition to any such exchange pursuant to this Section 3.10(h), the Trustee shall be entitled to receive from the Company, and


rely conclusively without any liability, upon an Officer's Certificate and an Opinion of Counsel to the Company, in form and in substance reasonably satisfactory to the Trustee, to the effect that such transfer of beneficial interests to the Unrestricted Global Security shall be effected in compliance with the Securities Act. The Company may request from Holders such information it reasonably determines is required in order to be able to deliver such Officer's Certificate and Opinion of Counsel. Upon such exchange of beneficial interests pursuant to this Section 3.10(h), the Securities Registrar shall reflect on its books and records the date of such transfer and a decrease and increase, respectively, in the principal amount of the applicable Restricted Global Securities and the Unrestricted Global Securities, respectively, equal to the principal amount of beneficial interests transferred. Following any such transfer pursuant to this Section 3.10(h) of all of the beneficial interests in a Restricted Global Security, such Restricted Global Security shall be cancelled.

- (i) **Transfers of Securities Held by Affiliates** Any certificate (i) evidencing a Designated Security that has been transferred to an affiliate (as defined in Rule 405 of the Securities Act) of the Company, as evidenced by a notation on the certificate of transfer and certificate of exchange for such transfer or in the representation letter delivered in respect thereof or (ii) evidencing a Designated Security that has been acquired from an affiliate (other than by an affiliate) in a transaction or a chain of transactions not involving any public offering, shall, until one year after the last date on which either the Company or any affiliate of the Company was an owner of such Designated Security, in each case, be in the form of a permanent definitive security and bear the private placement legend subject to the restrictions in this Section 3.10. The Securities Registrar shall retain copies of all letters, notices and other written communications received pursuant to this Section 3.10. The Company, at its sole cost and expense, shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable advance written notice to the Trustee.

In witness whereof, each of the parties hereto has caused this Fourth Supplemental Indenture to be duly executed on its behalf as of the date first above written.

THE NARRAGANSETT ELECTRIC COMPANY,
as Company

By:



Name: CHARLES DEROSA

Title: VICE PRESIDENT, TREASURER

[Signature Page to Fourth Supplemental Indenture]

In witness whereof, each of the parties hereto has caused this Fourth Supplemental Indenture to be duly executed on its behalf as of the date first above written.

THE BANK OF NEW YORK MELLON,
acting through its London Branch,
as Trustee and Paying Agent

By: 
Name: _____
Title: 

THE BANK OF NEW YORK MELLON,
as Securities Registrar

By: 
Name: _____
Title: 

Exhibit A
Form of Designated Security

[Face of Designated Security]

[Insert Global Security Legend, if applicable pursuant to the provisions of the Fourth Supplemental Indenture.]

[Insert Private Placement Legend, if applicable pursuant to the provisions of the Fourth Supplemental Indenture.]

[Insert Regulation S Temporary Global Security Legend, if applicable pursuant to the provisions of the Fourth Supplemental Indenture.]

CUSIP: [●]
ISIN: [●]

THE NARRAGANSETT ELECTRIC COMPANY

3.919% Senior Notes due 2028

No. _____

[\$ _____]

THE NARRAGANSETT ELECTRIC COMPANY, a Rhode Island company (the “**Company**”), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum [of \$ _____] [set forth on the Schedule of Exchanges of Interests in the Global Security attached hereto] on August 1, 2028 and to pay interest thereon from July 27, 2018 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on February 1 and August 1 of each year, commencing February 1, 2019, at the rate of 3.919% per annum until Maturity, and at Maturity.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Except as described below for the first Interest Payment Date, on each Interest Payment Date, the Company will pay interest on the Designated Securities for the period commencing on and including the immediately preceding Interest Payment Date and ending on and excluding such Interest Payment Date. On the first Interest Payment Date, the Company will pay interest for the period commencing on and including the Issue Date and ending on and excluding the first Interest Payment Date. If any Interest Payment Date falls on a day that is not a Business Day, the interest payment shall be postponed to the next day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day. If the Maturity of any Designated Security is not a Business Day, payment of principal, premium, if any, and interest on the applicable Designated Security will be made on the next succeeding day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name the Designated Securities represented hereby (or one or more Predecessor Securities) are registered at the close of business on the Regular Record Date for such Interest Payment Date, which shall be the January 15 and July 15, as the case may be, preceding the applicable Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name the Designated Securities represented hereby (or one or more Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by or on behalf of the Company, notice whereof shall be given to Holders of Designated Securities not less than 15 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Designated Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

The Bank of New York Mellon, acting through its London Branch, shall initially act as Trustee and Paying Agent, and The Bank of New York Mellon shall initially act as Securities Registrar, with respect to the Designated Securities.

Reference is hereby made to the further provisions of the Designated Securities set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee, directly or through an Authenticating Agent, by manual signature of an authorized signatory, the Designated Securities represented hereby shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

In witness whereof, the Company has caused this instrument to be duly executed manually or in facsimile.

Dated: July 27, 2018

THE NARRAGANSETT ELECTRIC COMPANY

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

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

Dated: July 27, 2018

THE BANK OF NEW YORK MELLON,
acting through its London Branch,
as Trustee

By: _____
Authorized Signatory

[Reverse of Designated Security]

THE NARRAGANSETT ELECTRIC COMPANY

This Designated Security represents a duly authorized issue of 3.919% Senior Notes due 2028 (the “**Designated Securities**”), issued under an Indenture, dated as of March 22, 2010 (the “**Base Indenture**”), between the Company and The Bank of New York Mellon, as Trustee (the “Trustee,” which term includes any successor trustee under the Indenture), as supplemented with respect to the Designated Securities by the Fourth Supplemental Indenture, dated as of July 27, 2018, between the Company and The Bank of New York Mellon, acting through its London Branch, as Trustee and Paying Agent (together with the Base Indenture, the “**Indenture**”). Reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Designated Securities and of the terms upon which the Designated Securities are, and are to be, authenticated and delivered.

At any time and from time to time, the Company may redeem all or a part of the Designated Securities, upon not less than 30 nor more than 60 days’ prior notice delivered to the registered address of each Holder of Designated Securities or otherwise in accordance with the procedures of the Depository. If the Company elects to redeem the Designated Securities prior to May 1, 2028, the Company shall pay a Redemption Price, as calculated by the Company, equal to the greater of (1) 100% of the principal amount of the Designated Securities redeemed and (2) the present value at such Redemption Date of (i) the principal amount of such Designated Securities on the Redemption Date, plus (ii) all required interest payments due on such Designated Securities through May 1, 2028 (three months prior to the maturity date), computed using a discount rate equal to the Treasury Rate determined on the second Business Day preceding the Redemption Date plus 15 basis points, less accrued and unpaid interest, plus, in each case, accrued and unpaid interest, if any, to the Redemption Date, subject to the rights of Holders of Designated Securities at the close of business on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date. If the Company elects to redeem the Designated Securities on or after May 1, 2028 (the date that is three months prior to the maturity date), the Company shall pay a Redemption Price equal to 100% of the principal amount of the Designated Securities to be redeemed plus accrued and unpaid interest thereon to, but not including, the Redemption Date, subject to the rights of Holders of Designated Securities at the close of business on the relevant record date to receive interest due on the relevant Interest Payment Date.

“**Treasury Rate**” means, as calculated by the Company, as of any Redemption Date, the yield to maturity (computed as of the second Business Day immediately preceding that Redemption Date) of United States Treasury securities with a constant maturity most nearly equal to the period from the Redemption Date to May 1, 2028 (three months prior to the maturity date); provided, however, that if the period from the Redemption Date to such date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

If an Event of Default with respect to the Designated Securities shall occur and be continuing, principal of, premium, if any, and accrued but unpaid interest on the Designated Securities may

be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of the Designated Securities represented by this Designated Security shall be conclusive and binding upon such Holder and upon all future Holders of the Designated Securities represented by this Designated Security and of the Designated Securities represented by any Designated Security issued upon the registration of transfer of the Designated Securities represented by this Designated Security or in exchange thereof or in lieu thereof, whether or not notation of such consent or waiver is made upon this Designated Security.

No reference herein to the Indenture and no provision of the Designated Securities or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal or premium or any overdue interest, on the Designated Securities at the rate or rates herein prescribed.

As provided in the Indenture, the Company shall cause to be kept at the Corporate Trust Office of the Trustee a Register in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Designated Securities and of transfers of Designated Securities.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange, other than as set forth in the Indenture.

Prior to due presentment of this Designated Security for registration of transfer of any Designated Security represented hereby, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Designated Security is registered as the owner of this Designated Security for the purpose of receiving payment of principal of and any premium and (subject to Section 3.8 of the Base Indenture) any interest on such Security and for all other purposes whatsoever, whether or not this Designated Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

THE INDENTURE AND THE DESIGNATED SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

All capitalized terms used herein which are not otherwise defined herein shall have the meanings assigned to them in the Indenture.

Schedule of Exchanges of Interests in the Global Security¹

The initial outstanding principal amount of this Global Security is \$_____. The following exchanges of a part of this Global Security for an interest in another Global Security or for a Definitive Security, or exchanges of a part of another Global or Definitive Security for an interest in this Global Security, have been made:

Date of Exchange	Amount of decrease in Principal Amount	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following each decrease or increase	Signature of authorized signatory of Trustee or Custodian

¹ This schedule should be included only if the Designated Security is issued in global form.

Exhibit B
Form of Certificate of Transfer

c/o The Narragansett Electric Company
280 Melrose Street
Providence, Rhode Island 02907
Attention: Treasurer

The Bank of New York Mellon, acting through its London Branch
Corporate Trust Services
One Canada Square
London E14 5AL
United Kingdom
Facsimile No.: +44 (0) 207 964 2536
Attention: Corporate Trust Administration

Re: 3.919% Senior Notes due 2028

Reference is hereby made to the Indenture, dated as of March 22, 2010, between The Narragansett Electric Company and the Trustee, as supplemented by the Fourth Supplemental Indenture, dated as of July 27, 2018, between The Narragansett Electric Company and the Trustee (collectively, the “**Indenture**”). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Indenture.

_____ (the “**Transferor**”) owns and proposes to transfer the Designated Securities or interests in such Designated Securities specified in Annex A hereto, in the principal amount of \$ _____ in such Designated Securities or interests (the “**Transfer**”), to _____ (the “**Transferee**”), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

- 1 **Check if Transferee will take delivery of a beneficial interest in the 144A Global Security or a Definitive Security pursuant to Rule 144A.** The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Security is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Definitive Security for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a “**qualified institutional buyer**” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States.
- 2 **Check if Transferee will take delivery of a beneficial interest in the Regulation S Global Security or a Definitive Security pursuant to Regulation S.** The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the

Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will be subject to the restrictions on Transfer enumerated in the Indenture and the Securities Act.

- 3 **Check and complete if Transferee will take delivery of a beneficial interest in the Restricted Definitive Security pursuant to any provision of the Securities Act other than Rule 144A or Regulation S.** The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Securities and Restricted Definitive Securities and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

OR

(b) such Transfer is being effected to the Company or a subsidiary thereof;

OR

(c) such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act.

- 4 **Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Security or of an Unrestricted Definitive Security.**

(a) **Check if Transfer is Pursuant to Rule 144.** (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon

consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities, on Restricted Definitive Securities and in the Indenture.

- (b) **Check if Transfer is Pursuant to Regulation S.** (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities, on Restricted Definitive Securities and in the Indenture.
- (c) **Check if Transfer is Pursuant to Other Exemption.** (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities or Restricted Definitive Securities and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

[Insert Name of Transferor]

By: _____

Name:

Title:

Dated: _____

Annex A to Certificate of Transfer

1 The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

- (a) a beneficial interest in the:
 - (i) 144A Global Security (CUSIP [_____] [_____]), or
 - (ii) Regulation S Global Security (CUSIP [_____] [_____]), or
- (b) a Restricted Definitive Security.

2 After the Transfer the Transferee will hold:

[CHECK ONE]

- (a) a beneficial interest in the:
 - (i) 144A Global Security (CUSIP [_____] [_____]), or
 - (ii) Regulation S Global Security (CUSIP [_____] [_____]),
or
 - (iii) Unrestricted Global Security (CUSIP [_____] [_____]);
- or
- (b) a Restricted Definitive Security; or
 - (c) an Unrestricted Definitive Security, in accordance with the terms of the Indenture.

Exhibit C
Form of Certificate of Exchange

c/o The Narragansett Electric Company
280 Melrose Street
Providence, Rhode Island 02907
Attention: Treasurer

The Bank of New York Mellon, acting through its London Branch
Corporate Trust Services
One Canada Square
London E14 5AL
United Kingdom
Facsimile No.: +44 (0) 207 964 2536
Attention: Corporate Trust Administration

Re: 3.919% Senior Notes due 2028

Reference is hereby made to the Indenture, dated as of March 22, 2010, between The Narragansett Electric Company and the Trustee, as supplemented by the Fourth Supplemental Indenture, dated as of July 27, 2018, between The Narragansett Electric Company and the Trustee (collectively, the “**Indenture**”). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Indenture.

_____ (the “**Owner**”) owns and proposes to exchange the Designated Securities or interests in such Designated Securities specified herein, in the principal amount of \$ _____ in such Designated Securities or interests (the “**Exchange**”). In connection with the Exchange, the Owner hereby certifies that:

1 Exchange of Restricted Definitive Securities or Beneficial Interests in a Restricted Global Security for Unrestricted Definitive Securities or Beneficial Interests in an Unrestricted Global Security

- (a) **Check if Exchange is from beneficial interest in a Restricted Global Security to beneficial interest in an Unrestricted Global Security.** In connection with the Exchange of the Owner’s beneficial interest in a Restricted Global Security for a beneficial interest in an Unrestricted Global Security in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner’s own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Security and pursuant to and in accordance with the United States Securities Act of 1933, as amended (the “**Securities Act**”), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

- (b) **Check if Exchange is from beneficial interest in a Restricted Global Security to Unrestricted Definitive Security.** In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Security for an Unrestricted Definitive Security, the Owner hereby certifies (i) the Definitive Security is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.
- (c) **Check if Exchange is from Restricted Definitive Security to beneficial interest in an Unrestricted Global Security.** In connection with the Owner's Exchange of a Restricted Definitive Security for a beneficial interest in an Unrestricted Global Security, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.
- (d) **Check if Exchange is from Restricted Definitive Security to Unrestricted Definitive Security.** In connection with the Owner's Exchange of a Restricted Definitive Security for an Unrestricted Definitive Security, the Owner hereby certifies (i) the Unrestricted Definitive Security is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2 Exchange of Restricted Definitive Securities or Beneficial Interests in Restricted Global Securities for Restricted Definitive Securities or Beneficial Interests in Restricted Global Securities

- (a) **Check if Exchange is from beneficial interest in a Restricted Global Security to Restricted Definitive Security.** In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Security for a Restricted Definitive Security with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Security is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with

the terms of the Indenture, the Restricted Definitive Security issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Security and in the Indenture and the Securities Act.

- (b) **Check if Exchange is from Restricted Definitive Security to beneficial interest in a Restricted Global Security.** In connection with the Exchange of the Owner's Restricted Definitive Security for a beneficial interest in the [CHECK ONE] 144A Global Security Regulation S Global Security, with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Securities and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Security and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company and are dated _____.

[Insert Name of Transferor]

By: _____

Name:

Title:

Dated: _____

EXECUTION COPY

THE NARRAGANSETT ELECTRIC COMPANY

and

THE BANK OF NEW YORK MELLON,

Trustee

INDENTURE

Dated as of March 22, 2010

DEBT SECURITIES

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The Narragansett Electric Company

*Reconciliation and tie between Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, and Indenture, dated as of March 22, 2010.

<u>Section of the Trust Indenture Act of 1939</u>	<u>Section of Indenture</u>
310(a)(1), (2) and (5).....	7.9
310(a)(3) and (4)	Inapplicable
310(b).....	7.8 and 7.10(a)and(b)
311(a).....	7.13(a) and (c)(i) and (ii)
311(b).....	7.13(b)
312(a).....	5.1 and 5.2(a)
312(b).....	5.2(b)
312(c).....	5.2(b)
313(a).....	5.4(a)
313(b)(1).....	Inapplicable
313(b)(2).....	5.4(a)
313(c).....	5.4(a)
313(d).....	5.4(b)
314(a).....	4.9 and 5.3
314(b).....	Inapplicable
314(c)(1) and (2)	13.6
314(c)(3)	Inapplicable
314(d).....	Inapplicable
314(e).....	13.6
315(a), (c) and (d).....	7.1
315(b).....	6.11
315(e).....	6.12
316(a)(1)	6.9 and 6.10
316(a)(2)	Inapplicable
316(a) (last sentence).....	8.4
316(b).....	6.7
316(c).....	8.1
317(a).....	6.2
317(b).....	4.2 and 4.3
318(a).....	13.9

* This reconciliation and tie shall not, for any purpose, be deemed to be part of the Indenture or to have any bearing upon the interpretation of any of its terms or provisions.

INDENTURE, dated as of March 22, 2010, between The Narragansett Electric Company, a Rhode Island company (the "Company"), and The Bank of New York Mellon, a New York banking corporation duly organized and existing under the laws of the State of New York (the "Trustee").

Recitals of the Company

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its notes, debentures or other evidences of its unsecured indebtedness (collectively, the "Securities"), to be issued in one or more series, authenticated and delivered, as in this Indenture provided.

All things necessary have been done to make this Indenture a valid and legally binding agreement of the Company, in accordance with its terms.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Persons acquiring the same, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of the Securities of any series, without giving any priority of any one Security or series over any other, except as otherwise expressly provided herein, as follows:

ARTICLE 1 DEFINITIONS

Section 1.1 Certain Terms Defined.

The following terms (except as otherwise expressly provided or unless the context otherwise clearly requires) for all purposes of this Indenture, including any indenture supplemental hereto, have the respective meanings specified in this Section. All other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. All references herein to "Articles" or other subdivisions are to the corresponding Articles or other subdivisions of this Indenture. The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

“Authenticating Agent” means, with respect to any series of Securities, any authenticating agent appointed by the Trustee, with respect to that series of Securities, pursuant to Section 7.14.

“Authorized Newspaper” means a newspaper or financial journal printed in the English language, customarily published at least once a day, and customarily published for at least five days in each calendar week, whether or not published on days that are legal holidays and of general circulation; or, in the alternative, shall mean such form of communication as may have come into general use for the dissemination of information of import similar to that of the information specified to be published by the provisions hereof. Whenever successive publications are required or authorized to be made in Authorized Newspapers, the successive publications may be made (unless otherwise expressly provided herein) in the same or different newspapers meeting the foregoing requirements and in each case on any Business Day. In case, by reason of the suspension of publication of any Authorized Newspaper, or for any other cause, it shall be impractical without unreasonable expense to make publication of any notice in an Authorized Newspaper as required by this Indenture, then such method of publication or notification as shall be made with the approval of the Trustee shall be deemed the equivalent of the required publication of such notice in an Authorized Newspaper.

“Bankruptcy Law” means Title 11 of the U.S. Code or any similar federal or state law for the relief of debtors.

“Board of Directors” means either the board of directors of the Company or any committee of such Board of Directors or Officer duly authorized to act with respect to a particular matter on behalf of the Board of Directors.

“Board Resolution” means a copy of a resolution certified by the secretary, any assistant secretary or any director of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“Business Day,” when used with respect to any Place of Payment or any other location specified in the Securities or this Indenture, means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment or location are generally authorized or obligated by law, regulation or executive order to close, except as may be otherwise specified as contemplated by Section 3.1(x).

“Capital Stock” means:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person

“Code” means the Internal Revenue Code of 1986, as amended, or any successor thereto.

“Common Stock” means Capital Stock of any class or classes (however designated) which has no preference as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of the issuing Person, and which is not subject to redemption by the issuing Person.

“Company Order” and “Company Request” mean a written order or request signed in the name of the Company by an Officer and delivered to the Trustee.

“Conversion Event” means the cessation of use of (i) a Foreign Currency both by the government of the country or the confederation which issued such Foreign Currency and for the settlement of transactions by a central bank or other public institutions of or within the international banking community or (ii) any currency unit or composite currency for the purposes for which it was established.

“Corporate Trust Office” means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered, which office, on the date of original execution of this Indenture, is located at The Bank of New York Mellon, Corporate Trust Services, One Canada Square, London E14 5AL, United Kingdom, Fax: +44-(0)20-7964-2536, Attention: Corporate Trnst Services, with a copy to: The Bank of New York Mellon, Global Trust Services, 101 Barclay Street, New York, New York, Fax: (212) 815-5366 or at any other time at such other address as the Trnstec may designate from time to time by notice to the parties hereto, or at the principal corporate trust office of any successor trustee as to which such successor trustee may notify the parties hereto in writing.

“Covenant Defeasance” has the meaning specified in Section 12.2.

“Default” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“Depository” means, with respect to the Securities of any series or any Tranche thereof, unless otherwise specified in the applicable supplemental indenture, which, in accordance with the determination of the Company, will be issued in whole or in part in the form of one or more Global Securities, The Depository Trust Company, New York, New York, another clearing agency or any successor registered under the Exchange Act, or other applicable statute or regulation, which, in each case, shall be designated by the Company pursuant to either Section 2.4 or Section 3.1. If at any time there is more than one such Person, “Depository” as used with respect to the Securities of any such series or Tranche thereof means each Depository with respect to the Securities of that series or Tranche.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Event of Default" means any event or condition specified as such in Section 6.1.

"Foreign Currency" means any currency, currency unit or composite currency, including, without limitation, pounds sterling and the euro, issued by the government of one or more countries, other than the United States of America, or by any recognized confederation or association of such governments.

"GAAP" means generally accepted accounting principles in the United States.

"Global Security" means, with respect to all or any part of any series of Securities, a temporary or permanent Security executed by the Company and authenticated and delivered by the Trustee to the Depository or pursuant to the Depository's instruction, all in accordance with this Indenture and pursuant to a Company Order, which shall be registered in the name of the Depository or its nominee and the ownership of which will be registered in a "book-entry" or other system maintained by the Depository.

"Government Securities" means securities that are:

- (a) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged; or
- (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America,

which, in either case, are not callable or redeemable at the option of the issuers thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the Government Securities evidenced by such depository receipt.

"guarantee" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness or other obligations and, when used as a verb, shall have corresponding meaning.

"Holder" and "Securityholder" mean, with respect to a Security, the Person in whose name such Security is registered in the Securities Register (which terms, in the case of a Global Security, mean the Depository, notwithstanding that the Depository maintains a "book-entry" or other system for identification of ownership in respect of such Global Security).

The term “include” (and other forms of such term) means “include, without limitation.”

“Indebtedness” means, with respect to any Person, without duplication, any indebtedness of such Person in respect of borrowed money evidenced by bonds, notes, debentures or similar instruments.

“Indenture” means this instrument as originally executed and delivered or, if amended or supplemented as herein provided, as so amended or supplemented, and includes the forms and terms of particular series of Securities established as contemplated hereunder.

The term “interest” means, with respect to any Original Issue Discount Security which by its terms bears interest only after Maturity, interest payable after Maturity.

“Interest Payment Date” means, with respect to any Security, the Stated Maturity of an installment of interest on such Security.

“Legal Defeasance” has the meaning specified in Section 12.2.

“Lien” means, with respect to any asset, any mortgage, lien (statutory or otherwise), pledge, hypothecation, charge, security interest, preference, priority or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided* that in no event shall an operating lease be deemed to constitute a Lien.

“Maturity” means, with respect to any Security, the date on which the principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by acceleration, call for redemption or otherwise.

“Officer” means the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the President, any Executive Vice President, Senior Vice President or Vice President, the Treasurer, any Assistant Treasurer or the Secretary or any Assistant Secretary of the Company.

“Officer’s Certificate” means a certificate signed on behalf of the Company by an Officer of the Company that meets the requirements set forth in this Indenture.

“Opinion of Counsel” means a written opinion from legal counsel, which opinion is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company.

“Original Issue Discount Security” means any Security that provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration with respect thereto pursuant to Section 6.1.

“Outstanding” (subject to Section 8.4) means, with reference to Securities as of the date of determination, all Securities authenticated and delivered under this Indenture, except:

(a) Securities which have been cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities, or portions thereof, for the payment or redemption of which moneys in the necessary amount and in the required currency or currency unit shall have been irrevocably deposited in trust with the Trustee or with any Paying Agent (other than the Company) or shall have been set aside, segregated and held in trust by the Company for the Holders of such Securities (if the Company shall act as its own Paying Agent) or for the payment of which Government Securities shall have been irrevocably deposited in trust with the Trustee in accordance with Article 12; provided that, if such Securities, or portions thereof, are to be redeemed prior to the Stated Maturity thereof, notice of such redemption shall have been given as herein provided, or provision satisfactory to the Trustee shall have been made for giving such notice;

(c) any such Security with respect to which the Company has effected defeasance pursuant to the terms hereof, except to the extent provided in Section 12.2;

(d) Securities in substitution for which other Securities shall have been authenticated and delivered, or which shall have been paid, pursuant to the terms of Section 3.7 (except with respect to any such Security as to which proof satisfactory to the Trustee and the Company is presented that such Security is held by a Person in whose hands such Security is a legal, valid and binding obligation of the Company); and

(e) any such Security converted or exchanged as contemplated by this Indenture into Common Stock of the Company or other securities, if the terms of such Security provide for such conversion or exchange pursuant to Section 3.1.

In determining whether Holders of the requisite principal amount of Outstanding Securities of any or all series have made or given any request, demand, authorization, direction, notice, consent or waiver hereunder, or are present to constitute a quorum at a meeting of Holders of Securities, the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration with respect thereto pursuant to Section 6.1.

“Overdue Rate” means, with respect to any Security of Securities, the rate designated as such in or pursuant to the resolution of the Board of Directors or the supplemental indenture, as the case may be, relating to such Security as contemplated by Section 3.1.

“Paying Agent” means any Person authorized by the Company to pay the principal of, or premium, if any, or interest, if any, on, any Securities on behalf of the Company.

“Periodic Offering” means an offering of Securities of a series from time to time, any or all of the specific terms of which Securities, which may be in one or more Tranches, including the rate or rates of interest, if any, thereon, the Stated Maturity or Maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Company or its agents from time to time subsequent to the initial request for authentication and delivery of such Securities by the Trustee, all as contemplated in Section 3.1.

“Person” means any individual, corporation, limited liability company, partnership, limited partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

“Place of Payment” means, with respect to any Security, the place or places where the principal of, and premium, if any, and interest, if any, on, such Security are payable as specified pursuant to Section 3.1.

“Predecessor Security” of any particular Security means every previous Security evidencing all or a portion of the same indebtedness as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.7 in lieu of a lost, destroyed, mutilated or stolen Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Security.

“Redemption Date” means, with respect to any Security to be redeemed, the date fixed for such redemption by or pursuant to this Indenture.

“Redemption Price” means, with respect to any Security or portion thereof to be redeemed, the price at which it is to be redeemed pursuant to this Indenture.

“Regular Record Date” for the interest payable on any Interest Payment Date on a Security means the date specified for that purpose pursuant to Section 3.1 or as specified in Section 3.8.

“Responsible Officer” means, with respect to the Trustee, any officer assigned to the Corporate Trust Office, including any managing director, vice president, assistant vice president, assistant treasurer, assistant secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers, and also, with respect to a particular matter, any other officer, to whom such matter is referred because of such officer’s knowledge of and familiarity with the particular subject.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

“Securities Register” has the meaning specified in Section 3.6.

“Securities Registrar” has the meaning specified in Section 3.6.

“Security” or “Securities” has the meaning specified in the recitals of this Indenture.

“Special Record Date” for the payment of any defaulted interest means a date fixed pursuant to Section 3.8.

“Stated Maturity” means, with respect to any Security or any installment of principal thereof or premium or interest thereon, the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable by the Company (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension).

“Subordinated Indebtedness” means, with respect to the Securities of a particular series, any Indebtedness of the Issuer which is by its terms subordinated in right of payment to the Securities of such series.

“Subsidiary” means with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; and

which (2) any partnership, joint venture, limited liability company or similar entity of

- (x) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership or otherwise, and
- (y) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“Successor Person” has the meaning specified in Section 11.1.

“Tranche” means a group of Securities which (a) are of the same series and (b) are identical except as to principal amount and/or date of issuance.

“Trust Indenture Act” means the Trust Indenture Act of 1939, as amended, and the rules and regulations of the SEC promulgated thereunder.

"U.S. Dollars" or "\$" means the lawful currency of the United States.

"United States," except as otherwise provided in or pursuant to this Indenture, means the United States of America (including the states thereof and the District of Columbia), its territories and possessions and other areas subject to its jurisdiction.

ARTICLE 2 SECURITY FORMS

Section 2.1 Forms Generally.

The Securities of each series shall be in substantially such form as shall be established pursuant to Section 3.1, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture or any indenture supplemental hereto, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as the Company may deem appropriate and as are not contrary to the provisions of this Indenture, or as may be required to comply with any law or with any rules made pursuant thereto or with any rules of any securities exchange or of any automated quotation system, or to conform to usage, all as determined by the officers executing such Securities, as conclusively evidenced by their execution of the Securities.

The definitive Securities shall be prepared by the Company and shall be printed, lithographed or engraved on steel-engraved borders, or may be produced in any other manner, all as determined by the officers executing such Securities, as conclusively evidenced by their execution of such Securities, subject to the rules of any securities exchange or automated quotation system on which such Securities are listed or quoted and (with respect to Global Securities) to the rules of the Depository.

Section 2.2 Form of Trustee's Certificate of Authentication.

The Trustee's certificate of authentication on all Securities shall be in substantially the following form:

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

[NAME OF TRUSTEE], as Trustee

By: _____
Authorized Signatory

Section 2.3 Form of Certificate of Authentication by an Authenticating Agent.

If at any time there shall be an Authenticating Agent appointed with respect to any series of Securities, then the Certificate of Authentication by such Authenticating Agent on all Securities of each such series shall be in substantially the following form:

By [NAME OF AUTHENTICATING
AGENT],
Authenticating Agent

By: _____
Authorized Signatory

Section 2.4 Securities Issuable in the Form of Global Securities.

(a) If the Company shall establish pursuant to Section 3.1 that the Securities of a particular series are to be issued in whole or in part as one or more Global Securities, then the Company shall execute, and the Trustee shall, in accordance with Section 3.3 and the Company Order deliver to the Trustee thereunder, authenticate and make available for delivery, one or more Global Securities, each of which (i) shall represent an aggregate principal amount equal to the aggregate principal amount of the Outstanding Securities of such series to be represented by such Global Security and may also provide that the aggregate amount of Outstanding Securities represented thereby may from time to time be increased or reduced to reflect exchanges and redemptions, (ii) shall be registered in the name of the Depository or its nominee, (iii) shall be delivered by the Trustee to the Depository or pursuant to the Depository's instruction and (iv) if required by the Depository, shall bear a legend reflecting the Depository's interest in such Global Security.

(b) Notwithstanding any provision of Section 3.6, any Global Security thereof may be transferred, in whole but not in part, and in the manner provided in Section 3.6, only to another nominee of the Depository for such series or Tranche, to the Depository by a nominee of the Depository, or by a nominee to another nominee of such Depository or, in either case, to a successor Depository for such series selected or approved by the Company or to a nominee of such successor Depository.

(c) If at any time the Depository for Securities of a series or Tranche thereof notifies the Company that it is unwilling or unable to continue as Depository for Securities of such series or Tranche or if at any time the relevant Depository shall no longer be registered or in good standing under the Exchange Act, or other applicable statute or regulation, and a successor Depository is not appointed by the Company within 120 days after the Company receives such notice or becomes aware of such condition, as the case may be, this Section shall

no longer be applicable to the Securities of such series or Tranche and the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Securities of such series or Tranche, will authenticate and make available for delivery, Securities of such series or Tranche in definitive form, in authorized denominations, and in an aggregate principal amount equal to the aggregate principal amount of the Global Security or Global Securities of such series or Tranche in exchange for such Global Security or Global Securities.

The Company may at any time and in its sole discretion determine that Securities of any series or Tranche thereof shall no longer be represented by one or more Global Securities and that the provisions of this Section shall no longer apply to the Securities of such series or Tranche. In such event the Company will execute and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Securities of such series or Tranche, will authenticate and make available definitive Securities of such series or Tranche, in authorized denominations, and in an aggregate principal amount equal to the aggregate principal amount of the Global Security or Global Securities of such series or Tranche in exchange for such Global Security.

If specified by the Company pursuant to Section 3.1 with respect to a series of Securities or Tranche thereof, the Depository for such series or Tranche may surrender a Global Security for such series or Tranche in exchange in whole or in part for definitive Securities of such series or Tranche on such terms as are acceptable to the Company and such Depository. Thereupon, the Company shall execute, and the Trustee shall authenticate and make available for delivery, without service charge,

(i) to each Person specified by such Depository a new definitive Security or Securities of the same series or Tranche, of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Persons' beneficial interest in the Global Security; and

(ii) to such Depository a new Global Security in a denomination equal to the difference, if any, between the principal amount of the surrendered Global Security and the aggregate principal amount of individual Securities delivered to Holders thereof.

In any exchange provided for in any of the preceding paragraphs of this Section, the Company will execute and the Trustee will authenticate and make available for delivery definitive Securities in registered form in authorized denominations.

Upon the exchange of a Global Security for Securities in definitive form, such Global Security shall be cancelled by the Trustee. Individual Securities issued in exchange for a Global Security pursuant to this Section shall be registered in such names and in such authorized denominations and bearing any applicable restrictive legends as the Depository for such Global Security shall instruct the Trustee in writing. The Trustee shall make such Securities available for delivery to the Persons in whose names such Securities are so registered.

ARTICLE 3
THE SECURITIES

Section 3.1 Amount Unlimited; Issuable in Series.

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

The Securities will constitute direct, unconditional and (except as provided in Section 4.6) unsecured obligations of the Company and will rank at least equally with all other unsecured and unsubordinated obligations of the Company (subject, in the event of insolvency, to laws of general applicability relating to or affecting creditor's rights).

The Securities may be issued from time to time in one or more series. With respect to the Securities of any particular series, there shall be established in, or pursuant to the authority granted in, a resolution of the Board of Directors, and set forth in an Officer's Certificate, or established in one or more indentures supplemental hereto prior to the issuance of Securities of a series:

- (a) the form of the Securities of the series;
- (b) the title of the Securities of the series (which shall distinguish the Securities of the series from all other Securities); any limit upon the aggregate principal amount of the Securities of that series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of that series pursuant to Sections 2.4, 3.6, 3.7, 3.10, 10.6, or 14.3 and except for any Securities which, pursuant to Section 3.3, are deemed never to have been authenticated and delivered hereunder);
- (c) the percentage or percentages of principal amount at which the Securities of the series will be issued;
- (d) the date or dates on which the Securities of the series may be issued;
- (e) the date or dates, which may be serial, on which the principal of, and premium, if any, on, the Securities of the series are payable;
- (f) the record dates, if any, for the determination of holders to whom such principal of, and premium thereon, if any, is payable;
- (g) the rate or rates, or the method of determination thereof, at which the Securities of the series shall bear interest, if any, any Overdue Rate (including the rate or rates at which overdue principal shall bear interest, if different from the rate or rates at which such Securities shall bear interest prior to Maturity, and, if applicable, the rate or rates at which overdue premium or interest shall bear interest, if any); any formula or other method or other means by which any such rate or rates shall be determined, by reference to an index or other fact or event ascertainable outside this Indenture or otherwise; the date or dates from which such

interest shall accrue, the method or methods, if any, by which such date or dates are to be determined, the Interest Payment Dates on which such interest shall be payable and the Regular Record Date, if other than as set forth in Section 3.8, for the determination of Holders to whom interest is payable, whether and under what circumstances additional amounts on such Securities or any of them shall be payable, the notice, if any, to Holders regarding the determination of interest on a floating rate Security, and the manner of giving such notice, and the basis upon which interest shall be calculated if other than that of a 360-day year of twelve 30-day months;

(h) the place or places where the principal of, and premium, if any, and interest on such Securities of the series shall be payable (if other than as provided in Section 4.2);

(i) the provisions, if any, establishing the price or prices at which, the date or dates on which, the period or periods within which the currency or currency unit in which, and the terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Company, pursuant to any sinking fund or otherwise;

(j) the obligation, if any, of the Company to redeem, purchase or repay Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the price or prices at which, the date or dates on which, and the period or periods within which or manner of determining the same, the currency or currency unit in which, and the terms and conditions upon which, Securities of the series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligation;

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

(l) the stock exchange(s), if any, on which the Securities will be listed;

(m) whether the Securities of the series will be convertible into shares of Common Stock of the Company and/or exchangeable for other securities, whether or not issued by the Company, and, if so, the terms and conditions upon which such Securities will be so convertible or exchangeable, and any deletions from or modifications or additions to this Indenture to permit or to facilitate the issuance of such convertible or exchangeable Securities or the administration thereof;

(n) whether the Securities of the series are to be issued as Original Issue Discount Securities and, if so, the amount of the discount with respect thereto;

(o) if other than the principal amount thereof, the portion of the principal amount of the Securities of the series which shall be payable upon a redemption prior to maturity or a declaration of acceleration with respect thereto pursuant to Section 6.1 or payable in bankruptcy pursuant to Section 6.2;

(p) any Events of Default or restrictive covenants provided for with respect to the Securities of the series, if other than as set forth in Section 6.1, Article 4 and Article 11;

(q) in case the Securities of the series do not bear interest, the applicable dates for the purpose of Section 4.1;

(r) whether either or both of Section 12.2(b) relating to defeasance or Section 12.2(c) relating to covenant defeasance shall not be applicable to the Securities of such series, or any covenants in addition to those specified in Section 12.2(c) relating to the Securities of such series which shall be subject to covenant defeasance, and any deletions from, or modifications or additions to, the provisions of ARTICLE 12 in respect of the Securities of such series;

(s) any trustees, paying agents, transfer agents, calculation agents or registrars with respect to the Securities of the series and the name and location of the principal office of such person;

(t) whether the Securities of the series are issuable in whole or in part as one or more Global Securities and, in such case, the identity of the Depository for such Global Security or Global Securities;

(u) the date at which any Global Security shall be dated, if other than the date of original issuance of the first security of the series to be issued;

(v) any restrictions on transfer with respect to the Securities of the series and any legend reflecting such restrictions to be placed on such Securities;

(w) if the amount of payment of principal of, and premium, if any, or interest on such Securities of the series may be determined with reference to an index, formula or other method, and, if so, the terms and conditions upon which and the manner in which such amounts shall be determined;

(x) any exceptions to Section 13.8 or in the definition of "Business Day" with respect to the Securities of the series;

(y) if other than U.S. Dollars, the Foreign Currency in which the Securities of such series shall be denominated and in which payments or principal of, and any premium or interest on, such Securities shall or may be payable;

(z) if the principal of, any premium or interest on such Securities are to be payable, at the election of the Company or a Holder thereof or otherwise, in U.S. Dollars or in a Foreign Currency other than that in which such Securities are stated to be payable, the date or dates on which, the period or periods within which, and the other terms and conditions upon which, such election may be made, and the time and manner of determining the exchange rate between the Currency in which such Securities are stated to be payable and the Currency in which such Securities or any of them are to be paid pursuant to such election, and any deletions from or modifications of or additions to the terms of this Indenture to provide for or to facilitate the issuance of Securities denominated or payable, at the election of the Company or a Holder thereof or otherwise, in a Foreign Currency;

(aa) if the amount of payments of principal of (and premium, if any, on) and interest, if any, on the Securities of that series may be determined, at the election of the issuer or a Holder thereof, with reference to an index based on a currency or currency unit other than that in which such Securities are denominated or stated to be payable or any other index, the manner in which such amounts shall be determined; and

(bb) any other terms of the series and any other modifications or additions to this Indenture in respect of such Securities (which terms shall not be contrary to the provisions of this Indenture).

With respect to Securities of a series subject to a Periodic Offering, such resolution of the Board of Directors or indenture supplemental hereto may provide general terms or parameters and may provide that the specific terms of particular Securities, and the Persons authorized to determine such terms or parameters, may be determined in accordance with or pursuant to the Company Order referred to in Section 3.3.

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided in, or pursuant to the authority granted in, such resolution of the Board of Directors or in any such indenture supplemental hereto.

Anything herein to the contrary notwithstanding, the Trustee shall be under no obligation to authenticate and deliver Securities of any series the terms of which, established as contemplated by this Section, would affect the rights, duties, obligations, liabilities or immunities of the Trustee under this Indenture.

Section 3.2 Form, Denominations and Currencies.

In the absence of any specification pursuant to Section 3.1 with respect to the Securities of any series, the Securities of such series shall be issuable as a Global Security in fully registered form in the name of the Holders thereof, without coupons, in denominations of \$1,000 and any integral multiple thereof.

Section 3.3 Authentication, Dating and Delivery of Securities.

At any time and from time to time after the original execution and delivery of this Indenture, the Company may deliver Securities of any series, executed by the Company, to the Trustee for authentication. Except as otherwise provided in this Article, the Trustee shall thereupon authenticate and make available for delivery, or cause to be authenticated and delivered, said Securities upon receipt of a Company Order, without any further action by the Company; provided, however, that if Securities of a series are subject to a Periodic Offering the Trustee shall authenticate and make available for delivery Securities of such series from time to time pursuant to such procedures reasonably acceptable to the Trustee.

In authenticating such Securities and accepting the responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, prior to the initial authentication of such Securities, and (subject to Section 7.1) shall be fully protected in relying upon:

- (a) a Board Resolution relating thereto;
- (b) an Officer's Certificate or an executed supplemental indenture setting forth the terms of such Securities as provided in Section 3.1;
- (c) an Officer's Certificate which shall state that all conditions precedent provided for in this Indenture relating to the issuance of such Securities have been complied with, that no Event of Default with respect to any series of Securities has occurred and is continuing and that, to the best knowledge of such Officer, the issuance of such Securities does not constitute and will not result in (i) any Event of Default or any event or condition, which, upon the giving of notice or the lapse of time or both, would become an Event of Default or (ii) any default under the provisions of any other material instrument or agreement by which the Company is bound; and
- (d) an Opinion of Counsel, which shall state:
 - (i) that the form and the terms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Indenture;
 - (ii) that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and binding obligations of the Company enforceable in accordance with their terms, except to the extent enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance, fraudulent transfer and other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law); and
 - (iii) that no consent, approval, authorization, order, registration or qualification of or with any court or any governmental agency or body having jurisdiction over the Company is required for the execution and delivery of such Securities by the Company, except such as have been obtained (and except that no opinion need be expressed as to securities or "blue sky" laws or any rule or regulation issued pursuant to securities or "blue sky" laws).

Notwithstanding the provisions of Section 3.1 and of the immediately preceding paragraph, with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive the Officer's Certificate otherwise required pursuant to Section 3.3(c) and the Opinion of Counsel required by this Section 3.3(d) only once at or prior to the time of the first authentication and delivery of such Securities (provided that such Opinion of Counsel addresses the authentication and delivery of all such Securities).

With respect to Securities of a series subject to a Periodic Offering, the Trustee may conclusively rely, as to the authorization by the Company of any of such Securities, the forms and terms thereof, the validity thereof and the compliance of the authentication and delivery thereof with the terms and conditions of this Indenture, upon the Opinion of Counsel or

Opinions of Counsel, the Officer's Certificate and the certificates and other documents delivered pursuant to this Section 3.3 at or prior to the time of the first authentication and delivery of Securities of such series until any of such opinions, certificates or other documents have been superseded or revoked or expire by their terms; provided, however, that any request by the Company to the Trustee to authenticate and deliver Securities of such series shall constitute a representation and warranty by the Company that as of the date of such request the statements made in the most recent Officer's Certificate delivered pursuant to Section 3.3(c) are true and correct as if made on and as of the date thereof.

Any Global Security, shall, unless otherwise provided therein, be delivered to a Depository designated pursuant to Section 3.1. Each Depository designated pursuant to Section 3.1 for a Global Security must at the time of its designation and at all times while it serves as such Depository be a clearing agency registered under the Exchange Act and any other applicable statute or regulation.

The Trustee shall have the right to decline to authenticate and make available for delivery any Securities under this Section if the Trustee, being advised by counsel to the Trustee, determines that such action would expose the Trustee to personal liability in a manner not reasonably acceptable to the Trustee.

Each Security shall be dated the date of its authentication, except as otherwise provided pursuant to Section 3.1 with respect to the series of which such Security is a part and except that any substitute Security under Section 3.7 shall be dated so that neither gain nor loss in interest shall result from any mutilation, destruction, loss or theft of the relevant Predecessor Security.

Section 3.4 Execution of Securities.

The Securities shall be signed in the name of and on behalf of the Company by any one of (i) its directors, (ii) the Chief Financial Officer of the Company, (iii) the Treasurer or any Assistant Treasurer of the Company or (iv) the Secretary or any Assistant Secretary of the Company. Such signatures may be the manual or facsimile signatures of such officers. Typographical and other minor errors or defects in any such reproduction of any such signature shall not affect the validity or enforceability of any Security that has been duly authenticated and delivered by the Trustee.

In case any officer of the Company who shall have signed any of the Securities shall cease to be such officer before the Security so signed shall be authenticated and delivered by or on behalf of the Trustee or disposed of by the Company, such Securities nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Securities had not ceased to be such officer of the Company; and any Security may be signed on behalf of the Company by such Persons as, at the actual date of the original execution of such Security, shall be the proper officers of the Company, although at the date of the original execution and delivery of this Indenture, or at the date of such Security, any such Person was not such an officer.

Section 3.5 Certificate of Authentication.

No Security shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form hereinbefore recited, executed by or on behalf of the Trustee or an Authenticating Agent by manual signature. Such certificate by or on behalf of the Trustee or an Authenticating Agent upon any Security executed by the Company shall be conclusive evidence that the Security so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

Section 3.6 Registration, Transfer and Exchange.

Subject to the conditions set forth below (and subject, with respect to Global Securities, to Section 2.4), Securities of any series may be exchanged for a like aggregate principal amount of Securities of the same series. Securities to be exchanged shall be surrendered at the offices or agencies to be maintained for such purposes as provided in Section 4.2, and the Company shall execute and the Trustee or any Authenticating Agent shall authenticate and make available for delivery in exchange therefor the Security or Securities which the Holder making the exchange shall be entitled to receive.

The Company shall keep or cause to be kept, at one of said offices or agencies maintained pursuant to Section 4.2, a register for each series of Securities issued hereunder (hereinafter collectively referred to as the "Securities Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall, subject to the provisions of Section 2.4, provide for the registration of Securities of such series and shall register the transfer of Securities of such series as in this Article provided. The Securities Register shall be in written form or in any other form capable of being converted into written form within a reasonable time. The Trustee is hereby appointed as the initial "Securities Registrar" for the purpose of registering Securities and registering transfers of Securities as herein provided. The Company may change the Registrar without prior notice to any Holder. The Company or any Subsidiary of the Company may act as Registrar.

The Company shall have the right to remove and replace from time to time the Security Registrar for any series of Securities and the Securities Registrar shall have the right to resign from time to time; provided that no such removal, replacement or resignation shall be effective until a successor Security Registrar with respect to such series of Securities shall have been appointed by the Company and shall have accepted such appointment by the Company. If the Company fails to appoint a successor Securities Registrar within 30 days after the Securities Registrar resigns, the Securities Registrar shall be entitled to appoint a successor and the Company's consent to such appointment shall not be unreasonably withheld. In the event that the Trustee shall not be or shall cease to be Security Registrar with respect to a series of Securities, it shall have the right to examine the Security Register for such series at all reasonable times. There shall be only one Security Register for each series of Securities.

All Securities presented for registration of transfer or for exchange, redemption or payment shall (if so required by the Company or the Securities Registrar) be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the

Company and the Securities Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing.

Each Security issued upon registration of transfer or exchange of Securities pursuant to this Section shall be the valid obligation of the Company, evidencing the same indebtedness and entitled to the same benefits under this Indenture as the Security or Securities surrendered upon registration of such transfer or exchange.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 3.10, Section 10.6 or Section 14.3 not involving any transfer.

The Company shall not be required (a) to issue, exchange or register the transfer of any Securities of any series during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities of such series and ending at the close of business on the day of such mailing, or (b) to exchange or register the transfer of any Securities selected, called or being called for redemption except, in the case of any Security to be redeemed in part, the portion thereof not to be redeemed.

Section 3.7 Mutilated, Destroyed, Lost and Stolen Securities.

In case any temporary or definitive Security shall become mutilated (whether by defacement or otherwise) or be destroyed, lost or stolen, and in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall, except as otherwise provided in this Section, execute, and upon a Company Request, the Trustee shall authenticate and make available for delivery, a new Security of the same series, tenor and principal amount, bearing a number, letter or other distinguishing symbol not contemporaneously outstanding, in exchange and substitution for the mutilated Security, or in lieu of and in substitution for the Security so destroyed, lost or stolen. In every case the applicant for a substituted Security shall furnish to the Company and to the Trustee and any agent of the Company or the Trustee such security or indemnity as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and the Trustee and any agent of the Company or the Trustee evidence to their satisfaction of the destruction, loss or theft of such Security and of the ownership thereof.

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

In case any Security which has matured or is about to mature or has been called for redemption in full shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substitute Security, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Security). In every case, the applicant for

such payment shall furnish to the Company and to the Trustee and any agent of the Company or the Trustee such security or indemnity as any of them may require to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and the Trustee and any agent of the Company or the Trustee evidence to their satisfaction of the destruction, loss or theft of such Security and of the ownership thereof.

Every substitute Security of any series issued pursuant to the provisions of this Section by virtue of the fact that any such Security is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone and shall be entitled to all the benefits of (but shall be subject to all the limitations of rights set forth in) this Indenture equally and proportionately with any and all other Securities of such series duly authenticated and delivered hereunder. All Securities shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions of this Section are exclusive with respect to the replacement or payment of mutilated (whether by defacement or otherwise) or destroyed, lost or stolen Securities and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

Section 3.8 Payment of Interest; Interest Rights Preserved.

The Holder of any Securities at the close of business on the Regular Record Date with respect to any Interest Payment Date shall be entitled to receive the interest, if any, payable on such Interest Payment Date notwithstanding the cancellation of such Securities upon any registration of transfer or exchange subsequent to the Regular Record Date and prior to such Interest Payment Date, and, if provided for in the Board Resolution or supplemental indenture pursuant to Section 3.1, in the case of a Security issued between a Regular Record Date and the initial Interest Payment Date relating to such Regular Record Date, interest for the period beginning on the date of issue and ending on such initial Interest Payment Date shall be paid to the Person to whom such Security shall have been originally issued. Except as otherwise specified as contemplated by Section 3.1, for Securities of a particular series the term "Regular Record Date" as used in this Section with respect to any Interest Payment Date shall mean the close of business on the last day of the calendar month preceding such Interest Payment Date if such Interest Payment Date is the fifteenth day of a calendar month and shall mean the close of business on the fifteenth day of the calendar month preceding such Interest Payment Date if such Interest Payment Date is the first day of a calendar month, whether or not such day shall be a Business Day. At the option of the Company, payment of interest on any Security may be made by check mailed to the address of the Person entitled thereto (which shall be the Depository in the case of Global Securities) as such address shall appear in the Securities Register.

Subject to actual timely receipt of sufficient funds by the Paying Agent for payment in full with respect to a series of Securities, such Paying Agent shall make payments when due on such Securities in accordance with the provisions of this Indenture.

If and to the extent the Company shall default in the payment of the interest due on such Interest Payment Date in respect of any Securities, such defaulted interest shall be paid by the Company at its election in each case, as provided in clause (a) or (b) below:

(a) The Company may make payment of any defaulted interest to the Holder of Securities at the close of business on a Special Record Date established by notice given by mail or otherwise in accordance with the procedures of the Depository, by or on behalf of the Company, to such Holder not less than 15 days preceding such Special Record Date, such Special Record Date to be not less than 10 days preceding the date for payment of such defaulted interest.

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

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

Section 3.9 Cancellation of Securities; Destruction Thereof.

All Securities surrendered for payment, redemption, registration of transfer or exchange, or for credit against any payment in respect of a sinking or analogous fund, shall, if surrendered to the Company or any Paying Agent or any Securities Registrar, be delivered to the Trustee for cancellation or, if surrendered to the Trustee, shall be cancelled by it, and no Securities shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Company may at any time deliver to the Trustee for Securities of a series for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by such Trustee. Notwithstanding any other provision of this Indenture to the contrary, in the case of a series, all the Securities of which are not to be originally issued at one time, a Security of such series shall not be deemed to have been Outstanding at any time hereunder if and to the extent that, subsequent to the authentication and delivery thereof, such Security is delivered to the Trustee for such Security for cancellation by the Company or any agent thereof upon the failure of the original purchaser thereof to make payment therefore against delivery thereof, and any Security so delivered to such Trustee shall be promptly cancelled by it. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. Global Securities shall not be disposed of until exchanged in full for definitive Securities or until payment thereof is made in full. The Trustee shall, unless instructed to deliver the Securities to the Company in a Company Order, destroy such cancelled Securities and, if requested by the Company in writing, deliver certification of their destruction to the Company. If the Company shall acquire any of the Securities, such acquisition shall not

operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are delivered to the Trustee for cancellation.

Section 3.10 Temporary Securities.

Pending the preparation by the Company of definitive Securities of any series, the Company may execute and the Trustee shall authenticate and make available for delivery in the manner provided in Section 3.3, temporary Securities for such series (printed, lithographed, typewritten or otherwise reproduced, in each case in form satisfactory to the Trustee). Temporary Securities of any series shall be issuable in any authorized denomination, and substantially in the form of the definitive Securities of such series in lieu of which they are issued but with such omissions, insertions and variations as may be appropriate for temporary securities, all as may be determined by the Company. Temporary Securities may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Security shall be executed by the Company and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Securities. Without unreasonable delay the Company shall execute and shall furnish definitive Securities of such series and thereupon temporary Securities of such series may be surrendered in exchange therefor without charge at the Corporate Trust Office of the Trustee, and the Trustee shall authenticate and make available for delivery in exchange for such temporary Securities an equal aggregate principal amount of definitive Securities of the same series. Such exchange shall be made by the Company at its own expense and without any charge therefore to the Holders. Until so exchanged, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series authenticated and delivered hereunder.

Section 3.11 Computation of Interest.

Except as otherwise specified as contemplated by Section 3.1 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 3.12 CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP," "Common Code" or "ISIN" numbers (if then generally in use), and, if so, such numbers shall be used in notices of redemption as a convenience to Holders; provided, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or contained in any notice of redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee in writing of any change in the "CUSIP," "Common Code" or "ISIN" numbers; *provided* that any failure to give such notice shall not constitute a Default or an Event of Default.

ARTICLE 4 COVENANTS OF THE COMPANY

The Company covenants and agrees for the benefit of each series of Securities (except to the extent that any series of Securities is excluded from the benefits of any of such covenants pursuant to Sections 3.1) that on and after the date of original execution of this Indenture and so long as any of the Securities of such series remain Outstanding:

Section 4.1 Payment of Securities.

The Company will duly and punctually pay or cause to be paid in the currency or currency unit in which the Securities of such series are payable, the principal of, any premium and interest on, the Securities of such series at the place or places, at the respective times and in the manner provided in such Securities and in the Indenture. The Company shall, before 11.00 a.m. (New York time), on each due date of the principal of, and premium, if any, or interest or any other amounts due on Securities of any series, deposit with the Paying Agent a sum in immediately available funds sufficient to pay such amounts becoming due, such sum to be held in trust by the Paying Agent for the benefit of Holders of such Securities.

If any payment in respect of any series of Securities provided for in this Section 4.1 is made late but otherwise in accordance with this Indenture, the Paying Agent for the Securities of such series shall make reasonable efforts to make such payment in respect of the Securities of such series. However, unless and until the full amount of any such payment has been made to the Paying Agent for payment to the Holders of Securities of such series, neither it nor any other Paying Agent will be bound (but shall be entitled) to make such payment.

If the Paying Agent pays out any amount due in respect of the Securities of any series before receipt of an amount due under this Section 4.1, the Paying Agent will immediately notify the Company and the Company shall on demand reimburse the Paying Agent for the relevant amount and pay interest to the Paying Agent on such amount that is outstanding from the date on which it is paid out to the date of reimbursement at the rate per annum equal to the cost to the Paying Agent of funding the amount paid out, as certified by the Paying Agent. Such interest shall be compounded daily.

Section 4.2 Offices or Agency.

So long as any of the Securities remain Outstanding, the Company will maintain in the Borough of Manhattan, The City of New York, New York, and in each Place of Payment for the Securities of a series, an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of Securities of that series and this Indenture may be served (which shall initially be the Corporate Trust Office of the Trustee or, if the Corporate Trust Office of the Trustee is not located in the Borough of Manhattan, The City of New York, such office or agency shall be the principal corporate trust office of the Authenticating Agent designated pursuant to Section 7.14 hereof). The Company will give prompt written notice to the Trustee for the Securities of that series of the location, and any change in the location of any such office or agency. If at any time the Company shall fail to maintain such required office or agency in respect of any series of Securities or shall fail to furnish the Trustee with the required information with respect thereto, presentations, surrenders, notices and demands in respect of Securities of that series may be

made or served at the Corporate Trust Office of the Trustee and the corporate trust office of any Authenticating Agent appointed hereunder; and the Company hereby appoints the Trustee and any Authenticating Agent appointed hereunder its agents to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in or outside The City of New York) where the Securities of one or more series, or any Tranche thereof may be presented or surrendered for any or all of such purposes, and may from time to time rescind such designation; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain for such purposes an office or agency in the Borough of Manhattan, The City of New York and in each Place of Payment for such purpose. The Company will promptly notify the Trustee for the Securities of each series as affected of any such designation or rescission thereof and of any change in the location of any such office or agency.

Unless otherwise specified with respect to any Securities pursuant to Section 3.1, if and so long as the Securities of any series (i) are denominated in a Foreign Currency or (ii) may be payable in a Foreign Currency, or so long as it is required under any other provision of this Indenture, then the Company will maintain with respect to each such series of Securities, or as so required, at least one exchange rate agent.

Section 4.3 Money for Securities Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it shall by 10.00 a.m. (New York City time), on or before each due date of the principal of, any premium or interest on any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum in the currency or currencies, currency unit or units or composite currency or currencies in which the Securities of such series are payable (except as otherwise specified pursuant to Section 3.1 for the Securities of such series) sufficient to pay the principal or any premium or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and shall promptly notify the Trustee in writing of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any series of Securities, it shall, on or prior to each due date of the principal of, any premium or interest on any Securities of such series, deposit with any Paying Agent a sum (in the currency or currencies, currency unit or units or composite currency or currencies described in the preceding paragraph) sufficient to pay the principal and any premium or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled thereto, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee in writing of its action or failure so to act.

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

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

(b) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of such series) in the making of any payment of principal of, any premium or interest on the Securities of such series; and

(c) At any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same terms as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such sums.

Anything in this Section to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section is subject to the provisions of Section 12.3, Section 12.4 and Section 12.5.

Section 4.4 [Reserved.]

Section 4.5 [Reserved.]

Section 4.6 [Reserved.]

Section 4.7 Corporate Existence.

Subject to Article 11, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its legal existence and rights (charter and statutory) and franchises; provided, however, that the foregoing shall not obligate the Company to preserve any such right or franchise if the Company shall determine that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to any Holder.

Section 4.8 Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in Sections 4.7 or 4.8 and any other covenant not set forth herein and specified pursuant to Section 3.1 to be applicable with respect to the Securities of any series if before or after the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities of such series (which, in the case of a covenant not set forth herein and specified pursuant to Section 3.1 to be applicable to the Securities of any

series, shall include only those series to which such covenant is so specified to be applicable), by act of such Holders, either shall waive such compliance in such instance or generally shall have waived compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee and the Paying Agent for the Securities of such series in respect of any such term, provision or condition shall remain in full force and effect.

Section 4.9 Certificates to Trustee.

(a) For so long as any series of Securities are Outstanding under this Indenture, the Company will, within 120 days after the end of its fiscal year, file with the Trustee an Officer's Certificate complying with the provisions of the second paragraph of Section 13.6, stating whether or not, to the knowledge of the signer, the Company has complied with the conditions and covenants on its part contained in this Indenture, and, if the signer, to the best of his or her knowledge, knows of any event which is, or after notice or lapse of time or both would become, a default by the Company in the performance, observance or fulfillment of any such condition or covenant, specifying each such default and the nature thereof. For the purpose of this Section, compliance shall be determined without regard to any grace period or requirement of notice provided pursuant to the terms of this Indenture.

(b) The Company will deliver to the Trustee, as soon as practicable after the Company becomes aware of the occurrence of any Default or Event of Default, an Officer's Certificate setting forth the details of such Default or Event of Default and the action which the Company proposes to take with respect thereto.

Section 4.10 Calculation of Original Issue Discount.

The Company shall file with the Trustee promptly at the end of each calendar year (i) a written notice specifying the amount of any original issue discount, as defined under the Code and Treasury regulations, (including daily rates and accrual periods) accrued on any Outstanding Securities as of the end of such year and (ii) such other specific information relating to such original issue discount as may then be relevant under the Code, as amended from time to time.

Section 4.11 Waiver of Usury, Stay or Extension Laws.

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

ARTICLE 5
SECURITYHOLDER LISTS AND REPORTS BY THE
COMPANY AND THE TRUSTEE

Section 5.1 Company to Furnish Trustee Information as to Names and Addresses of Securityholders.

The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee a list in such form as the Trustee may reasonably require of the names and addresses of the Holders of the Securities of each series semiannually and not later than June 30 and December 31 in each year, and at such other times as the Trustee may request in writing, as of a date no more than 15 days prior to the date such information is so furnished; provided that, if and so long as the Trustee shall be the Securities Registrar for such series, such list shall not be required to be furnished.

Section 5.2 Preservation and Disclosure of Securityholder Lists.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information received by it pursuant to Section 5.1 and similar information received by it in any other capacity under this Indenture (including in its capacity as Securities Registrar) and afford Holders access to the information preserved by it, all to such extent, if any, and in such manner as shall be required by the Trust Indenture Act.

(b) Each and every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any Paying Agent shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of Securities in accordance with the provisions of Section 5.2(a), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 5.2(a).

Section 5.3 . Reports by the Company.

Unless otherwise specified with respect to Securities of a particular series pursuant to Section 3.1, so long as any Securities of such series are outstanding, if not filed electronically with the SEC through the SEC's Electronic Data Gathering, Analysis, and Retrieval System (or any successor system), the Company will furnish to the Trustee and, upon request to the Trustee, Holders of Securities of such series, within 180 days of the end of each fiscal year for annual reports and within 75 days of the end of each fiscal quarter for quarterly reports:

(1) an annual report including solely the following information: annual consolidated financial statements of the Company (including balance sheets as of the end of the two most recent fiscal years and statements of earnings and statements of cash flows for the three most recent fiscal years) prepared in accordance with GAAP as in effect from time to time, and a report on the annual financial statements by the Company's certified independent accountants; and

(2) quarterly reports including solely the following information: quarterly consolidated financial statements of the Company (including a balance sheet as of the end of the most recent fiscal quarter and statements of earnings and statements of cash flows for the period from the end of the most recent fiscal year to the end of the most recent fiscal quarter, and for the corresponding interim period of the preceding fiscal year) prepared in accordance with GAAP as in effect from time to time.

In addition, the Company will, for so long as any Securities of any particular series remain outstanding and during any period during which the Company is not subject to Section 13 or Section 15(d) of the Exchange Act, it will furnish to Holders of Securities of such series and to prospective purchasers of Securities of such series, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

The delivery of such reports, information and documents to the Trustee pursuant to this Section 5.3 is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates) other than with respect to Section 7.2.

Section 5.4 Reports by the Trustee.

(a) If and to the extent required under the Trust Indenture Act, within 60 days after May 15 of each year following the date of original execution of this Indenture, so long as any Securities are Outstanding hereunder, the Trustee shall transmit by mail (with a copy to the Company) to the Securityholders of such series in the manner and to extent provided in Trust Indenture Act Section 313(c), a brief report, as provided by the Trust Indenture Act Sections 313(a) and (b).

(b) A copy of each report required to be filed pursuant to Section 5.4(a) shall, at the time of such transmission to the Securityholders of any series, be furnished to the Company and be filed by the Trustee with each stock exchange upon which the Securities of such series are listed and also with the SEC. The Company agrees to notify the Trustee promptly when and as the Securities of any series become admitted to trading on any national securities exchange.

ARTICLE 6 REMEDIES OF THE TRUSTEE AND SECURITYHOLDERS ON EVENT OF DEFAULT

Section 6.1 Event of Default Defined; Acceleration of Maturity; Waiver of Default.

“Event of Default,” with respect to the Securities of any series, wherever used herein, means each one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), unless it is either inapplicable to a particular series or it

is specifically deleted or modified in the applicable supplemental indenture under which such series of Securities is issued, as the case may be, as contemplated by Section 3.1:

(a) default for 14 days or more in the payment when due and payable, upon redemption, acceleration or otherwise, of principal of, or premium, if any, on the Securities of such series;

(b) default for 30 days or more in the payment when due of interest on or with respect to the Securities of such series;

(c) failure by the Company for 90 days after receipt of written notice given by the Trustee or the Holders of not less than 25% in principal amount of the Securities of such series then Outstanding to comply with any of its obligations, covenants or agreements (other than a default referred to in clauses (a) and (b) above) contained in the Indenture or the Securities of such series;

(d) the Issuer pursuant to or within the meaning of any Bankruptcy Law:

(1) commences proceedings to be adjudicated bankrupt or insolvent;

(2) consents to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under applicable Bankruptcy law;

(3) consents to the appointment of a receiver, liquidator, assignee, trustee, sequestrator or other similar official of it or for all or substantially all of its property;

(4) makes a general assignment for the benefit of its creditors; or

(5) generally is not paying its debts as they become due; or

(e) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(1) is for relief against the Issuer in a proceeding in which the Issuer is to be adjudicated bankrupt or insolvent;

(2) appoints a receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Issuer or for all or substantially all of the property of the Issuer; or

(3) orders the liquidation of the Issuer;

and the order or decree remains unstayed and in effect for 90 consecutive days; or

(f) any other Event of Default established by one or more indentures supplemental hereto as applicable to the Securities of such series.

If an Event of Default described in clause (a), (b), (c) or (f) occurs and is continuing with respect to Securities of any series at the time Outstanding, the Trustee or the Holders of at least 25% in aggregate principal amount of the Securities of such series then Outstanding, by notice in writing to the Company (and to the Trustee if given by Securityholders), may declare the entire principal (or, if the Securities of such series are Original Issue Discount Securities, such portion of the principal as may be specified in the terms of such series) of, and the premium, if any, and accrued and unpaid interest, if any, on all Securities then Outstanding of such series to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. The Trustee shall have no obligation to accelerate the Securities of any series if in the best judgment of the Trustee acceleration is not in the best interest of the Holders of Securities of such series.

If any Event of Default described in clause (d) or (e) above occurs and is continuing, all the principal of, and the premium, if any, and accrued and unpaid interest, if any, on the Securities then Outstanding of that series shall *ipso facto* become and be immediately due and payable without declaration, presentment, demand or notice of any kind by the Trustee or any Holder of Securities of that series.

The foregoing provisions, however, are subject to the condition that if, at any time after a declaration of acceleration with respect to the Securities of any series has been made and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest, if any, with respect to all the Securities of such series and the principal of (and premium, if any, on) any and all Securities of such series which shall have become due otherwise than by acceleration (and, to the extent that payment of such interest is enforceable under applicable law, interest on principal, premium or overdue installments of interest, if any, at the Overdue Rate applicable to such series to the date of such payment or deposit) and all amounts payable to the Trustee pursuant to the provisions of Section 7.6, and such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee except as a result of negligence or bad faith, and if any and all Events of Default under the Indenture, other than the nonpayment of the principal of and accrued interest on Securities of such series which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein - then and in every such case the Holders of a majority in aggregate principal amount of the Securities of such series then Outstanding, by written notice to the Company and to the Trustee, may waive all defaults with respect to that series of Securities and rescind and annul such acceleration and its consequences (provided that such rescission would not conflict with any judgment of a court of competent jurisdiction), but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

For all purposes under this Indenture, if a portion of the principal of any Original Issue Discount Security shall have been accelerated and declared or become due and payable pursuant to the provisions hereof, then, from and after such acceleration, unless such acceleration has been rescinded and annulled, the principal amount of such Original Issue Discount Security shall be deemed, for all purposes hereunder, to be such portion of the

principal thereof as shall be due and payable as a result of such acceleration, and payment of such portion of the principal thereof as shall be due and payable as a result of such acceleration, together with interest, if any, thereon and all other amounts owing thereunder, shall constitute payment in full of such Original Issue Discount Security.

Section 6.2 Collection of Indebtedness by Trustee; Trustee May Prove Debt.

The Company covenants that if an Event of Default specified in Section 6.1 (a) or (b) occurs with respect to any of the Securities of any series, whether upon Stated Maturity of the Securities of such series or upon any redemption or by acceleration or otherwise, then upon demand of the Trustee for such series, the Company will pay to the Trustee for the benefit of the Holder of any such Security the whole amount that then shall have become due and payable on any such Security for the principal, premium, if any, and interest, if any, and, so far as payment of the same is enforceable under applicable law, interest on overdue principal, premium or installments of interest, if any, at the Overdue Rate applicable to any such Security; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, and any further amounts payable to the Trustee, its agents and counsel pursuant to the provisions of Section 7.6.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Company and collect in the manner provided by law out of the property of the Company, wherever situated, the moneys adjudged or decreed to be payable.

The Trustee shall be entitled and empowered, either in its own name as trustee of an express trust, or as attorney-in-fact for the Holders of any of the Securities, or in both such capacities, to file such proof of debt, amendment of proof of debt, proof of claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the Holders of Securities allowed in any equity receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization or other similar proceedings, or any judicial proceedings, relative to the Company or any other obligor on the Securities or its creditors or its property. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Securities, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) the true and lawful attorney-in-fact of the respective Holders of the Securities, with authority to make or file in the respective names of the Holders of the Securities any proof of debt, amendment of proof of debt, claim, petition or other document in any such proceedings and to receive payment of any sums becoming distributable on account thereof, and to execute any other papers and documents and do and perform any and all acts and things for and on behalf of such Holders of the Securities as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Holders of the Securities against the Company or any other obligor on the Securities and/or its property allowed in any such proceedings, and to receive payment of or on account of such claims; provided, however, that nothing herein contained shall be deemed to authorize or empower the

Trustee to consent to or accept or adopt, on behalf of any Holder of Securities, any plan of reorganization or readjustment of the Company or any other obligor on the Securities or, by other action of any character in any such proceeding, to waive or change in any way any right of any Holder of any Security, even though it may otherwise be entitled so to do under any present or future law, all such power or authorization being hereby expressly denied.

All rights of action and of asserting claims under this Indenture or under any of the Securities may be enforced by the Trustee without the possession of any of the Securities or the production thereof in any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Trustee, each predecessor Trustee and their respective agents and attorneys, shall be for the ratable benefit of the holders of the Securities in respect of which such action was taken.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party), the Trustee shall be held to represent all the Holders of the Securities in respect of which such action was taken, and it shall not be necessary to make any Holders of such Securities parties to any such proceedings.

Section 6.3 Application of Proceeds.

Any moneys collected by the Trustee pursuant to this Article in respect of any series of Securities, together with any other sums held by the Trustee (as such) hereunder (other than sums held in trust for the benefit of the Holders of particular Securities), shall be applied in the following order at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal or any premium or interest, upon presentation (except in respect of Subdivision First below) of the several Securities in respect of which moneys have been collected and stamping (or otherwise noting) thereon the payment, or issuing Securities of such series in reduced principal amounts in exchange for the presented Securities of like series if only partially paid, or upon surrender thereof if fully paid:

FIRST: To the payment of costs and expenses applicable to such series in respect of which moneys have been collected, including reasonable compensation to the Trustee and each predecessor Trustee and their respective agents and attorneys and of all expenses and liabilities properly incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith, and all other amounts due to the Trustee or any predecessor Trustee pursuant to Section 7.6;

SECOND: To the Holders of Securities of such series for the payment of amounts then due and payable upon all the Securities of such series for principal and premium, if any, and interest, if any, and (to the extent that such interest has been collected by the Trustee), so far as payment of the same is enforceable under applicable law, interest upon overdue principal, premium or installments of interest, if any, at the Overdue Rate applicable to such series, without preference or priority of any kind,

according to the amounts then due and payable on the Securities of such series for principal, premium and interest, respectively; and

THIRD: To the payment of the remainder, if any, to the Company or as a court of competent jurisdiction may direct in writing.

Section 6.4 Suits for Enforcement.

In case an Event of Default with respect to Securities of any series has occurred, has not been waived and is continuing, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Section 6.5 Restoration of Rights on Abandonment of Proceedings.

In case the Trustee or any Holder shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or such Holder, then and in every such case (subject to the binding effect of any determination made in such proceedings) the Company and the Trustee and each of the Holders shall be restored severally and respectively to their former positions and rights hereunder, and (subject as aforesaid) all rights, remedies and powers of the Company, the Trustee and the Holders shall continue as though no such proceedings had been instituted.

Section 6.6 Limitations on Suits by Securityholders.

Subject to Section 6.7, no Holder of any Security of any series shall have any right by virtue or by availing of any provision of this Indenture to institute an action or proceeding at law or in equity or in bankruptcy or otherwise upon or under or with respect to this Indenture, or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy hereunder, unless:

- (a) such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof;
- (b) the Holders of at least 25% in principal amount of the Securities of such series then Outstanding shall have made written request upon the Trustee to institute such action or proceeding in its own name as Trustee hereunder;
- (c) Holders of the Securities of such series shall have offered to the Trustee reasonable security or indemnity against any loss, liability or expense to be incurred therein or thereby;

(d) the Trustee shall have not complied with such request for 60 days after the receipt thereof and the offer of security or indemnity; and

(e) Holders of a majority in principal amount of the Securities of such series then Outstanding shall have not given the Trustee a direction inconsistent with such written request within such 60-day period;

it being understood and intended, and being expressly covenanted by the taker and Holder of every Security with every other taker and Holder of any Security and with the Trustee, that no one or more Holders of Securities of any series shall have any right in any manner whatever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other Holder of Securities, or to obtain or seek to obtain priority over or preference to any other such Holder or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Securities of such series. For the protection and enforcement of the provisions of this Section, each and every Holder of Securities of any series and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Section 6.7 Unconditional Right of Securityholders to Institute Certain Suits.

Nothing contained in this Indenture or in the Securities of any series shall affect or impair the obligation of the Company, which is unconditional and absolute, to pay the principal of, and premium, if any, and interest, if any, on the Securities of such series at the respective places, at the respective times, at the respective rates, in the respective amounts and in the coin or currency therein and herein prescribed, or affect or impair the right of action, which is also absolute and unconditional, of any Holder of any Security to institute suit to enforce such payment at the respective due dates expressed in such Security, or upon redemption, by declaration, repayment or otherwise as herein provided without reference to, or the consent of, the Trustee or the Holder of any other Security, unless such Holder consents thereto.

Section 6.8 Powers and Remedies Cumulative; Delay or Omission Not Waiver of Default.

Except as provided in Section 6.6, no right or remedy herein conferred upon or reserved to the Trustee or to the Holder of any Security is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No delay or omission of the Trustee or of any Holder of any Security of any series to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and, subject to Section 6.6, every power and remedy given by this Indenture or by law to the Trustee or to the Holder of any Security may

be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holder of such Security, as the case may be.

Section 6.9 Control by Holders of Securities.

The Holders of a majority in aggregate principal amount of the Securities of each series affected (with each series voting as a separate class) at the time Outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Securities of such series by this Indenture; provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and provided, further, that (subject to the provisions of Section 7.1) the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, shall determine that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee shall determine that the action or proceedings so directed would expose the Trustee to personal liability or if the Trustee in good faith shall so determine that the actions or forebearances specified in or pursuant to such direction would be unduly prejudicial to the interests of Holders of the Securities of all series so affected not joining in the giving of said direction, it being understood that (subject to Section 7.1) the Trustee shall have no duty to ascertain whether or not such actions or forebearances are unduly prejudicial to such Holders.

As between the Trustee and the Holders of the Securities, nothing in this Indenture shall impair the right of the Trustee in its discretion to take any action deemed proper by the Trustee and which is not inconsistent with such direction or directions by Securityholders.

Section 6.10 Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series on behalf of the Holders of all the Securities of such series may waive any past default hereunder with respect to such series and its consequences (including waivers obtained in connection with a purchase of, or tender or exchange offer for, Securities of any series), except a default:

(1) in the payment of the principal of, or any premium, if any, or interest on, any Security of such series, except a rescission of acceleration of the Securities of such series by the Holders of at least a majority in aggregate principal amount of the Securities of such series and a waiver of the payment default that resulted from such acceleration, or

(2) in respect of a covenant or provision hereof which under Article 10 cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

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

Section 6.11 Trustee to Give Notice of Default, But May Withhold in Certain Circumstances.

The Trustee shall transmit to the Securityholders of any series, as the names and addresses of such Holders appear on the Security Register, notice by mail or otherwise in accordance with the procedures of the Depository (i) in the case of a Default or Event of Default under Section 6.1(a) or 6.1(b) of this Indenture, of all such Defaults or Events of Default that a Responsible Officer of the Trustee has actual knowledge of and (ii) in the case of all other Defaults or Events of Default, of all such Defaults or Events of Default with respect to which a Responsible Officer of the Trustee has received written notice which have occurred with respect to such series, such notice to be transmitted within 90 days after the receipt of such notice, unless such defaults shall have been cured before the giving of such notice (the term "default" or "defaults" for the purposes of this Section being hereby defined to mean any event or condition which is, or with notice or lapse of time or both would become, an Event of Default); provided that, except in the case of a default in the payment of the principal of, or premium, if any, or interest, if any, on any of the Securities of such series, the Trustee shall be protected in withholding such notice if and so long as a trust committee of directors or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Securityholders of such series. The Trustee shall be entitled to require the Paying Agent and all other agents to act under its direction following the occurrence of a Default or an Event of Default.

Section 6.12 Right of Court to Require Filing of Undertaking to Pay Costs.

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

**ARTICLE 7
CONCERNING THE TRUSTEE**

Section 7.1 Duties and Responsibilities of the Trustee; During Default; Prior to Default.

With respect to the Holders of any series of Securities issued hereunder, the Trustee, prior to the occurrence of an Event of Default with respect to the Securities of that series and after the curing or waiving of all Events of Default which may have occurred with respect to

such series, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default with respect to the Securities of a series has occurred (which has not been cured or waived), 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 their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

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:

(a) prior to the occurrence of an Event of Default with respect to the Securities of such series and after the curing or waiving of all such Events of Default with respect to such series which may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such statements, certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) 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 Securities pursuant to Section 6.9 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.

Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 7.1

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.

Section 7.2 Certain Rights of the Trustee.

Subject to Section 7.1:

(a) the Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, Officer's Certificate, Company Order, Company Request or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security or other paper or document (whether in original or facsimile form) believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Trustee by a copy thereof certified by the secretary or any assistant secretary of the Company;

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

(d) the Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Indenture at the request, order or direction of any of the Securityholders pursuant to the provisions of this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred therein or thereby;

(e) the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture;

(f) prior to the occurrence of an Event of Default hereunder and after the curing or waiving of all Events of Default, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security or other paper or document unless requested in writing by the Holders of not less than a majority in aggregate principal amount of the Securities of all series affected then Outstanding; provided that, if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to proceeding; the reasonable expenses of every such investigation shall be paid by the Company or, if paid by the Trustee or any predecessor Trustee, shall be reimbursed by the Company upon demand;

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

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

(i) the Trustee shall not be deemed to have notice of any Default or Event of Default unless (i) in the case of a Default or Event of Default under Section 6.1(a) or 6.1(b) of this Indenture, a Responsible Officer of the Trustee has actual knowledge thereof and (ii) in the case of all other Defaults or Events of Default, written notice of any event which is in fact such a Default or Event of Default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities and this Indenture, and nothing herein shall be deemed to require the Trustee to monitor the financial performance of the Company; and

(j) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder (including as Paying Agent, as applicable), and each agent, custodian and other Person authorized to act on behalf of the Trustee hereunder.

(k) Nothing hereunder shall require the Trustee or Paying Agent to risk, expend or advance its own funds, and neither the Trustee nor the Paying Agent shall be liable for interest on any funds held, except as otherwise set forth herein or as agreed with the Company in writing.

(l) From time to time, the Trustee may request that the Company deliver an Officer's Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture.

(m) The Trustee shall have no duty to inquire as to the performance by the Company of its covenants hereunder.

(n) In no event shall the Trustee be responsible or liable for any special, indirect or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 7.3 Trustee Not Responsible for Recitals, Disposition of Securities or Application of Proceeds Thereof.

The recitals contained herein and in the Securities, except the certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Securities and perform its obligations hereunder and that the statements made by it in a Statement of Eligibility on Form T-1 supplied to the Company are true and accurate, subject to the qualifications set forth therein. The Trustee makes no representation as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of any of the Securities or of the proceeds thereof.

Section 7.4 Trustee and Agents May Hold Securities; Collections, etc.

The Trustee, any Paying Agent, Securities Registrar, Authenticating Agent or any agent of the Company or the Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities with the same rights it would have if it were not the Trustee or such agent, and, subject to Section 7.8 and Section 7.13, if operative, may otherwise deal with the Company and receive, collect, hold and retain collections from the Company with the same rights it would have if it were not the Trustee, Paying Agent, Securities Registrar, Authenticating Agent or such agent.

Section 7.5 Moneys Held by Trustee.

Subject to the provisions of Section 12.3, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by mandatory provisions of law. The Trustee shall have no liability for interest on money it receives and holds in trust except as specifically provided herein.

Section 7.6 Compensation and Indemnification of Trustee and Its Prior Claim.

The Company covenants and agrees to pay the Trustee (including in its roles as Paying Agent and Securities Registrar, as applicable) from time to time, and the Trustee shall be entitled to such compensation as the Company and the Trustee may from time to time agree in writing for all services rendered by the Trustee hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and the Company covenants and agrees to pay or reimburse the Trustee and each predecessor trustee upon its request for all reasonable and properly incurred expenses, disbursements and advances incurred or made by or on behalf of it in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all agents and other Persons not regularly in its employ) except any such expense, disbursement or advance as shall be attributable to its negligence or bad faith. The Company also covenants to indemnify the Trustee (which for purposes of this Section 7.6 shall be deemed to include its directors, officers, employees and agents) and each predecessor trustee for, and hold it harmless against, any loss, liability, damage, claims or expense, including taxes

(other than taxes measured by the income of the Trustee or otherwise applicable to the Trustee for operations outside the scope of this Indenture) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Indenture or the trusts hereunder and the performance of its duties hereunder, including the costs and expenses of defending itself against or investigating any claim of liability in connection with the exercise or performance of any of its powers or duties hereunder except to the extent that any such loss, liability, damage, claims or expense shall be attributable to the Trustee's negligence or bad faith. The obligations of the Company under this Section to compensate and indemnify the Trustee (including in its roles as Paying Agent and Securities Registrar, as applicable) and each predecessor trustee and to pay or reimburse the Trustee and each predecessor trustee for expenses, disbursements and advances shall constitute additional obligations hereunder and shall survive the satisfaction and discharge of this Indenture and resignation or removal of the Trustee. Such additional obligations shall be secured by a Lien prior to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of particular Securities.

Section 7.7 Right of Trustee to Rely on Officer's Certificate, etc.

Subject to Section 7.1 and Section 7.2, whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Trustee, and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the good faith thereof.

Section 7.8 Qualification of Trustee: Conflicting Interests.

The Trustee for the Securities of any series issued hereunder shall be, or shall deemed to be, subject to the provisions of Section 310(b) of the Trust Indenture Act. In determining whether the Trustee has a conflicting interest as defined in Section 310(b) of the Trust Indenture Act with respect to the Securities of any series, there shall be excluded this Indenture with respect to Securities of any particular series of Securities other than that series.

Section 7.9 Persons Eligible for Appointment as Trustee.

There shall at all times be a Trustee hereunder for each series of Securities, which shall be at all times either:

- (a) a corporation organized and doing business under the laws of the United States of America or of any State or territory or the District of Columbia, authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal, State, territory or District of Columbia authority; or

(b) a corporation or other Person organized and doing business under the laws of a foreign government that is permitted to act as sole Trustee pursuant to a rule, regulation or order of the SEC, authorized under such laws to exercise corporate trust powers, and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

in either case having a combined capital and surplus of at least \$50,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or to requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 7.9, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee for the Securities of any series shall cease to be eligible in accordance with the provisions of this Section 7.9, it shall resign immediately in the manner and with the effect hereinafter specified in this Article. Neither the Company nor any Person directly or indirectly controlling, controlled by, or under common control with the Company shall serve as Trustee for the Securities of any series issued hereunder.

Section 7.10 Resignation and Removal; Appointment of Successor Trustee.

(a) The Trustee, or any trustee or trustees hereafter appointed, may at any time resign by giving written notice of resignation to the Company and by mailing notice thereof by first-class mail to Holders of the Securities at their last addresses as they shall appear on the Security Register or otherwise in accordance with the procedures of the Depository. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee or trustees by written instrument in duplicate, executed by authority of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee or trustees. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of resignation, the resigning Trustee may petition at the expense of the Company any court of competent jurisdiction for the appointment of a successor trustee, or any Securityholder who has been a bona fide Holder of a Security or Securities for at least six months may, subject to the provisions of Section 6.12, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall fail to comply with the provisions of Section 310(b) of the Trust Indenture Act after written request therefor by the Company or by any Securityholder who has been a bona fide Holder of a Security or Securities for at least six months; or

(ii) the Trustee shall cease to be eligible in accordance with the provisions of Section 7.9 and shall fail to resign after written request therefor by the Company or by any Securityholder;

(iii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent; or

(iv) a receiver or liquidator of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any case, the Company may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors of the Company, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 6.12, any Securityholder who has been a bona fide Holder of a Security or Securities for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Holders of a majority in aggregate principal amount of the Securities at the time Outstanding may at any time remove the Trustee and appoint a successor trustee by delivering to the Trustee so removed, to the successor trustee so appointed and to the Company the evidence provided for in Section 8.1 of the action in that regard taken by the Securityholders.

(d) No resignation or removal of the Trustee and no appointment of a successor trustee pursuant to any of the provisions of this Section 7.10 shall become effective until acceptance of appointment by the successor trustee as provided in Section 7.11.

Section 7.11 Acceptance of Appointment by Successor Trustee.

Any successor trustee appointed as provided in Section 7.10 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as trustee hereunder; but nevertheless, on the written request of the Company or of the successor trustee, upon payment of all amounts due to the Trustee under Section 7.6, the Trustee ceasing to act shall pay over to the successor trustee all moneys at the time held by it hereunder and shall execute and deliver an instrument transferring to such successor trustee all such rights, powers, duties and obligations. Upon request of any successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any Trustee ceasing to act, shall, nevertheless, retain a prior Lien upon all property or funds held or collected by such trustee to secure any amounts then due to it pursuant to the provisions of Section 7.6.

No successor trustee shall accept appointment as provided in this Section 7.11 unless at the time of such acceptance such successor trustee shall be qualified under the provisions of Section 7.8 and eligible under the provisions of Section 7.9.

Upon acceptance of appointment by any successor trustee as provided in this Section 7.11, the Company shall mail notice thereof by first-class mail to the Holders of Securities at their last addresses as they shall appear on the Security Register or otherwise in accordance with the procedures of the Depository. If the acceptance of appointment is substantially contemporaneous with the resignation, then the notice called for by the preceding sentence may be combined with the notice called for by Section 7.10. If the Company fails to mail such notice within 10 days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Company.

Section 7.12 Merger, Conversion, Consolidation or Succession to Business of Trustee.

Any corporation in which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to substantially all of the corporate trust business of the Trustee, shall be the successor of the trustee hereunder without the execution or filing of any paper or any further act (including the giving of any notice to Securityholders) on the part of any of the parties hereto; provided that such corporation shall be qualified under the provisions of Section 7.8 and eligible under the provisions of Section 7.9.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee and deliver such Securities so authenticated; and, in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor trustee; and in all such cases such certificate shall have the full force which it is anywhere in the Securities or in this Indenture provided for the certificate of authentication of the Trustee.

Section 7.13 Preferential Collection of Claims Against the Company.

(a) Subject to the provisions of this Section, if the Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Company or any other obligor of the Securities within three months prior to a default, as defined in Section 7.13(c), or subsequent to such a default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the Holders of the Securities and the holders of other indenture securities (as defined in this Section):

(i) an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest, effected after the beginning of such three months' period and valid as against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in Section 7.13(a)(ii), or from the exercise of any right of set-off

which the Trustee could have exercised if a petition in bankruptcy had been filed by or against the Company upon the date of such default; and

(ii) all property received by the Trustee in respect of any claim as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such three months' period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Trustee:

(A) to retain for its own account (i) payments made on account of any such claim by any Person (other than the Company) who is liable thereon, (ii) the proceeds of a bona fide sale of any such claim by the Trustee to a third Person, and (iii) distributions made in cash, securities or other property in respect of claims filed against the Company in bankruptcy or receivership or in the proceedings for reorganization pursuant to the Federal Bankruptcy Code or applicable state law;

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such three months' period;

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such three months' period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee has no reasonable cause to believe that a default as defined by Section 7.13(c) would occur within three months; or

(D) to receive payment on any claim referred to in paragraph (B) or (C) above, against the release of any property held as security for such claim as provided in such paragraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of paragraphs (B), (C) and (D), property substituted after the beginning of such three months' period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released, and, to the extent that any claim referred to in any of such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned between the Trustee, the Holders

of the Securities and the holders of other indenture securities in such manner that the Trustee, such Holders and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Code or applicable state law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee, Holders of the Securities and the holders of other indenture securities dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Code or applicable state law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Code or applicable state law, whether such distribution is made in cash, securities or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership or proceeding for reorganization is pending shall have jurisdiction (i) to apportion between the Trustee, the Holders of Securities and the holders of other indenture securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and the proceeds thereof; or (ii) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee, the Holders of Securities and the holders of other indenture securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distribution as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee who has resigned or been removed after the beginning of such three months' period shall be subject to the provisions of this Section 7.13(a) as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such three months' period, it shall be subject to the provisions of this Section 7.13(a) if and only if the following conditions exist:

(i) the receipt of property or reduction of claim which would have given rise to the obligation to account, if such Trustee had continued as trustee, occurred after the beginning of such three months' period; and

(ii) such receipt of property or reduction of claim occurred within three months after such resignation or removal.

(b) There shall be excluded from the operation of this Section a creditor relationship arising from:

(i) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;

(ii) advances authorized by a receivership or bankruptcy court of competent jurisdiction or by this Indenture for the purpose of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advance and of the circumstances surrounding the making thereof is given to the Holders of the applicable series of Securities at the time and in the manner provided in this Indenture;

(iii) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depository, or other similar capacity;

(iv) an indebtedness created as a result of services rendered or premises rented or an indebtedness created as a result of goods or securities sold in a cash transaction as defined in Section 7.13(c)(iii);

(v) the ownership of stock or of some other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; or

(vi) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of self-liquidating paper as defined in Section 7.13(c)(iv).

(c) As used in this Section 7.13:

(i) the term "default" shall mean any failure to make payment in full of the principal of or interest upon any of the Securities of the applicable series or upon the other indenture securities when and as such principal or interest becomes due and payable;

(ii) the term "other indenture securities" shall mean securities upon which the Company is an obligor (as defined in the Trust Indenture Act) outstanding under any other indenture (i) under which the Trustee is also trustee, (ii) which contains provisions substantially similar to the provisions of Section 7.13(a), and (iii) under which a default exists at the time of the apportionment of the funds and property held in said special account;

(iii) the term "cash transaction" shall mean any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand;

(iv) the term “self-liquidating paper” shall mean any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacture, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon the goods, wares or merchandise or the receivables or proceeds arising from the sale of goods, wares or merchandise previously constituting the security, provided that the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation; and

(v) the term “Company” shall mean the Company or any other obligor (if any) under the Securities.

Section 7.14 Authenticating Agent.

So long as any Securities remain Outstanding, if the Corporate Trust Office of the Trustee is not located in the Borough of Manhattan, The City of New York, or otherwise upon a Company Request, there shall be an authenticating agent (the “Authenticating Agent”) appointed, for such period as the Company shall elect, by the Trustee to act as its agent on its behalf and subject to its direction in connection with the authentication and delivery of Securities. Securities authenticated by such Authenticating Agent shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by such Trustee. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or to the Trustee's Certificate of Authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a Certificate of Authentication executed on behalf of such Trustee by such Authenticating Agent. Such Authenticating Agent shall at all times be a corporation organized and doing business under the laws of the United States of America or of any State or of the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by Federal, State or District of Columbia authority. If the Corporate Trust Office of the Trustee is not located in the Borough of Manhattan, The City of New York, the Authenticating Agent shall have its principal office and place of business in the Borough of Manhattan, The City of New York.

Any corporation into which any Authenticating Agent may be merged or converted, or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency business of any Authenticating Agent, shall continue to be the Authenticating Agent without the execution or filing of any paper or any further act on the part of the Trustee or such Authenticating Agent.

Any Authenticating Agent may at any time, and if it shall cease to be eligible shall, resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Company. Upon receiving such

a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 7.14, the Trustee shall upon Company Request appoint a successor Authenticating Agent, and the Company shall provide notice of such appointment to all Holders of Securities in the manner and to the extent provided in Section 13.4. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all rights, powers, duties and responsibilities of its predecessor hereunder, with like effect as if originally named as Authenticating Agent herein. The Company agrees to pay or to cause to be paid to the Authenticating Agent from time to time reasonable compensation for its services. The Authenticating Agent shall have no responsibility or liability for any action taken by it as such in good faith at the direction of the Trustee.

ARTICLE 8 CONCERNING THE HOLDERS OF SECURITIES

Section 8.1 Action by Holders.

Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Securities of any series may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action) the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar intention executed by Holders in person or by agents or proxies appointed in writing, or (b) by the record of Holders voting in favor thereof at any meeting of such Holders duly called and held in accordance with the provisions of Article 9, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Holders. The Company may (but shall not be required to) set a record date for purposes of determining the identity of Securityholders entitled to vote or consent to any action by vote or consent authorized or permitted under this Indenture, which record date shall be the later of 10 days prior to the first solicitation of such consent or the date of the most recent list of Holders furnished to the Trustee pursuant to Section 5.1 of this Indenture prior to such solicitation. If a record date is fixed, those Persons who were Securityholders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to take such action by vote or consent or to revoke any vote or consent previously given, whether or not such Persons continue to be Holders after such record date.

Section 8.2 Proof of Execution of Instruments by Holders of Securities.

Subject to Section 7.1, Section 7.2 and Section 9.5, the execution of any instrument by a Holder of a Security or his agent or proxy may be proved in any reasonable manner that the Trustee deems sufficient, including, without limitation, in the following manner:

The fact and date of the execution by any such Person of any instrument may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the Person executing such instrument acknowledged to him the execution thereof, or by an affidavit or written statement of a witness to such execution. Where such execution is by an officer of a corporation or association or a member of a partnership on

behalf of such corporation, association or partnership, as the case may be, or by any other Person acting in a representative capacity, such certificate, affidavit or written statement shall also constitute sufficient proof of his authority.

The ownership of Securities shall be proved by the Securities Register or by a certificate of the Securities Registrar.

The record of any Holders' meeting shall be proved in the manner provided in Section 9.6.

Section 8.3 Holders to be Treated as Owners.

The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the Person in whose name any Security shall be registered upon the Security Register as the absolute owner of such Security (notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of principal of, and premium, if any, and (subject to Section 3.6 and Section 3.8) interest, if any, on, such Security, and for all other purposes whatsoever, whether or not payment in respect of such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary. All such payments so made to any Holder shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon such Security.

None of the Company, the Trustee or any agent of the Company or the Trustee shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Notwithstanding the foregoing, with respect to any Global Security, nothing herein shall prevent the Company or the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by any Depository (or its nominee), as a Holder, with respect to such Global Security or impair, as between such Depository and owners of beneficial interests in such Global Security, the operation of customary practices governing the exercise of the right of such Depository (or its nominee) as Holder of such Global Security.

Section 8.4 Securities Owned by Company Deemed Not Outstanding.

In determining whether the Holders of the requisite aggregate principal amount of Securities of any or all series have concurred in any direction, consent or waiver under this Indenture, Securities which are owned by the Company or any Affiliate of the Company shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver only Securities which the Trustee knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any Affiliate of the Company. In case of a dispute as to such right, the advice of counsel

shall be full protection in respect of any decision made by the Trustee in accordance with such advice. Upon request of the Trustee, the Company shall furnish to the Trustee promptly an Officer's Certificate listing and identifying all Securities, if any, known by the Company to be owned or held by or for the account of the Company or any Affiliate of the Company; and, subject to Section 7.1 and Section 7.2, the Trustee shall be entitled to accept such Officer's Certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not listed therein are Outstanding for the purpose of any such determination.

Section 8.5 Right of Revocation of Action Taken.

At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.1, of the taking of any action by the Holders of the percentage in aggregate principal amount of the Securities of any or all series, as the case may be, specified in this Indenture in connection with such action, any Holder of a Security, the number, letter or other distinguishing symbol of which is shown by the evidence to be included in the Securities the Holders of which have consented to such action, may, by filing written notice at the Corporate Trust Office and upon proof of holding as provided in this Article, revoke such action so far as concerns such Security. Except as aforesaid, any such action taken by the Holder of any Security shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Security and of any Securities issued in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon any such Security or such other Security. Any action taken by the Holders of the percentage in aggregate principal amount of the Securities of any or all series, as the case may be, specified in this Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the Holders of all the Securities affected by such action.

**ARTICLE 9
HOLDERS' MEETINGS**

Section 9.1 Purposes of Meetings.

A meeting of Holders of Securities of any or all series may be called at any time and from time to time pursuant to the provisions of this Article for any of the following purposes:

- (a) to give any notice to the Company or to the Trustee for the Securities of such series, or to give any directions to the Trustee, or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by Holders pursuant to any of the provisions of Article 6;
- (b) to remove the Trustee and nominate a successor Trustee pursuant to the provisions of Article 7;
- (c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 10.2; or

(d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Securities of any one or more or all series, as the case may be, under any other provision of this Indenture or under applicable law.

Section 9.2 Call of Meetings by Trustee.

The Trustee may at any time call a meeting of Holders of Securities to take any action specified in Section 9.1, to be held at such time and at such place in the Borough of Manhattan, The City of New York, or such other Place of Payment, as the Trustee shall determine. Notice of every meeting of the Holders of Securities, setting forth the time and the place of such meeting, and in general terms the action proposed to be taken at such meeting, shall be given to Holders of Securities of the particular series in the manner and to the extent provided in Section 13.4. Such notice shall be given not less than 10 nor more than 60 days prior to the date fixed for the meeting.

Section 9.3 Call of Meetings by Company or Holders.

In case at any time the Company, pursuant to a resolution of its Board of Directors, or the Holders of at least 10% in aggregate principal amount of the Outstanding Securities of any or all series, as the case may be, shall have requested the Trustee to call a meeting of Holders of Securities of any or all series, as the case may be, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee for such series shall not have given the notice of such meeting within 20 days after receipt of such request, then the Company or such Holders, as the case may be, may determine the time and the place in the Borough of Manhattan or other Place of Payment for such meeting and may call such meeting to take any action authorized in Section 9.1, by giving notice thereof as provided in Section 9.2.

Section 9.4 Qualifications for Voting.

To be entitled to vote at any meeting of Holders a Person shall be (a) a Holder of one or more outstanding Securities with respect to which such meeting is being held or (b) a Person appointed by an instrument in writing as proxy by such Holder. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 9.5 Regulations.

Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of the Securities in regard to proof of the holding of Securities and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of

Securities as provided in Section 9.3, in which case the Company or the Holders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by majority vote of the meeting.

Subject to Section 8.4, at any meeting each Holder of Securities with respect to which such meeting is being held or proxy therefor shall be entitled to one vote for each \$1,000 principal amount (in the case of Original Issue Discount Securities, such principal amount to be determined as provided in the definition of “Outstanding”) of Securities held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any such Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Securities held by him or instruments in writing aforesaid duly designating him as the Person to vote on behalf of other Holders. At any meeting of Holders, the presence of Persons holding or representing Securities with respect to which such meeting is being held in an aggregate principal amount sufficient to take action on the business for the transaction of which such meeting was called shall constitute a quorum, but, if less than a quorum is present, the Persons holding or representing a majority in aggregate principal amount of such Securities represented at the meeting may adjourn such meeting with the same effect, for all intents and purposes, as though a quorum had been present. Any meeting of Holders of Securities with respect to which a meeting was duly called pursuant to the provisions of Section 9.2 or Section 9.3 may be adjourned from time to time by Persons holding or representing a majority in aggregate principal amount of such Securities represented at the meeting, present, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

Section 9.6 Voting.

The vote upon any resolution submitted to any meeting of Holders of Securities with respect to which such meeting is being held shall be by written ballots on which shall be subscribed the signatures of such Holders or of their representatives by proxy and the serial number or numbers of the Securities held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 9.2. The record shall show the serial numbers or otherwise identify the Securities voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 9.7 No Delay of Rights by Reason of Meeting.

Nothing in this Article contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Holders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this Indenture or of the Securities of any series.

ARTICLE 10
SUPPLEMENTAL INDENTURES

Section 10.1 Supplemental Indentures Without Consent of Securityholders.

Without the consent of any Holders of Securities, the Company, when authorized by a resolution of its Board of Directors, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

- (a) to cure any ambiguity, omission, mistake, defect or inconsistency;
- (b) to provide for uncertificated Securities of any series in addition to or in place of certificated Securities of such series;
- (c) to provide for the assumption of the Company's obligations to the Holders;
- (d) to make any change that would provide any additional rights or benefits to the Holders of Securities of any series or that does not materially adversely affect the legal rights under the Indenture of any such Holder;
- (e) to add covenants for the benefit of the Holders of Securities of any series or to surrender any right or power conferred upon the Company;
- (f) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act;
- (g) to evidence and provide for the acceptance and appointment under this Indenture of a successor Trustee hereunder pursuant to the requirements thereof or to otherwise comply with any requirement of this Indenture;
- (h) to provide for the issuance of exchange securities or private exchange securities, which are identical to exchange securities except that they are not freely transferable;
- (i) to add a guarantor with respect to the Securities of any series;
- (j) to conform the text of this Indenture, any supplemental indenture or the Securities of any series to any provision of any "Description of Notes" or any similar section included in any offering document that describes or summarizes the terms of the Securities of such series to the extent that such provision in such "Description of Notes" or similar section

was intended to be a verbatim recitation of a provision of this Indenture, any supplemental indenture or the Securities of such series;

(k) to make any amendment to the provisions of this Indenture relating to the transfer and legending of Securities of any series as permitted by this Indenture, including, without limitation, to facilitate the issuance and administration of the Securities of such series; provided, however, that (i) compliance with this Indenture as so amended would not result in Securities of such series being transferred in violation of the Securities Act or any applicable securities law and (ii) such amendment does not materially and adversely affect the rights of Holders to transfer Securities of such series; or

(l) to mortgage, pledge, hypothecate or grant any other Lien in favor of the Trustee for the benefit of the Holders of the Securities of any series, as security for the payment and performance of all or any portion of the obligations of the Company under this Indenture and the Securities of such series, in any property or assets.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations, which may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

Any supplemental indenture authorized by the provisions of this Section may be executed without the consent of the Holders of any of the Securities at the time Outstanding, notwithstanding any of the provisions of Section 10.2.

Section 10.2 Supplemental Indentures With Consent of Securityholders.

With the consent (evidenced as provided in Article 8) of the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding of all series affected by such supplemental indenture, voting as one class (including consents obtained in connection with a purchase of, or tender or exchange offer for, Securities of any series), the Company, when authorized by a resolution of its Board of Directors, and the Trustee may, from time to time and at any time, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Securities of each such series; provided that, without the consent of each affected Holder of Securities of any series, no such supplemental indenture shall, with respect to the Securities of any series held by a non-consenting Holder:

(a) reduce the principal amount of such series of Securities whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the principal amount of or change the fixed final maturity of any such series of Securities or alter or waive the provisions with respect to the redemption of such series of Securities;

(c) reduce the rate of or change the time for payment of interest on any Security of such series;

(d) waive a Default in the payment of principal of or premium, if any, or interest, if any, on the Securities of such series, except a rescission of acceleration of the Securities of such series by the Holders of at least a majority in aggregate principal amount of the Securities of such series and a waiver of the payment default that resulted from such acceleration, or in respect of a covenant or provision contained in this Indenture which cannot be amended or modified without the consent of all Holders of Securities of such series;

(e) make any Security of any series payable in money other than that stated therein;

(f) make any change in the provisions of Section 6.10 or in the provisions in this Indenture relating to the rights of Holders to receive payments of principal of or premium, if any, or interest, if any, on the Securities of such series;

(g) make any change in the provisions of Section 10.2; or

(h) impair the right of any Holder to receive payment of principal of, or interest, if any, on such Holder's Securities of such series on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Securities of such series.

Upon the request of the Company, accompanied by a Board Resolution authorizing the execution of any such supplemental indenture, and upon providing the Trustee with evidence of the consent of Securityholders as aforesaid and other documents, if any, required by Section 8.1, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

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

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

Section 10.3 Notice of Supplemental Indenture.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of Section 10.2, the Company shall give a notice thereof by first-class mail to the Holders of Securities of each series affected thereby at their addresses as they shall appear on the Security Register or otherwise in accordance with the procedures of the Depository, setting forth in general terms the substance of such supplemental indenture. Any failure of the Company to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 10.4 Effect of Supplemental Indenture.

Upon the execution of any supplemental indenture pursuant to the provisions of this Article, this Indenture shall be modified and amended in accordance therewith, but only with regard to the Securities of each series affected by such supplemental indenture, and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Holders of any Securities of such series affected thereby shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be part of the terms and conditions of this Indenture for any and all purposes with regard to the Securities of such series.

Section 10.5 Documents To Be Given to Trustee.

The Trustee, subject to the provisions of Section 7.1 and Section 7.2, shall be provided with an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to this Article complies with the applicable provisions of this Indenture and is authorized or permitted by this Indenture.

Section 10.6 Notation on Securities in Respect of Supplemental Indentures.

Securities of any series affected by any supplemental indenture which are authenticated and delivered after the execution of such supplemental indenture pursuant to the provisions of this Article may bear a notation in form approved by the Company and the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Company, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Company, authenticated by the Trustee and delivered in exchange for the Securities of such series then Outstanding.

ARTICLE 11
CONSOLIDATION, AMALGAMATION, MERGER OR SALE

Section 11.1 Company May Merge, Consolidate, Etc., Only on Certain Terms.

Unless otherwise provided in the Board Resolution or supplemental indenture pursuant to Section 3.1 establishing the terms of a particular series of Securities, so long as any Security

remains Outstanding, the Company shall not consolidate or merge with or into or wind up into (whether or not the Company Issuer is the surviving entity), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to any Person unless:

(a) (x) the Company is the surviving entity, or (y) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is an entity organized or existing under the laws of the United States, any state or territory thereof or the District of Columbia (such Person being herein called the “Successor Person”);

(b) the Successor Person, if other than the Company, expressly assumes all the obligations of the Company under the Indenture and the Securities pursuant to supplemental indentures or other documents or instruments in form reasonably satisfactory to the Trustee;

(c) immediately after such transaction, no Default with respect to any series of Securities exists; and

(d) the Company or the Successor Person shall have delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indentures, if any, comply with the Indenture.

Section 11.2 [Reserved.]

Section 11.3 Successor Person Substituted.

Upon any consolidation or merger of the Company with or into any other Person or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the property and assets of the Company in accordance with Section 11.1, the Successor Person formed by such consolidation or into which the Company is merged or the successor Person or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such Successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person or Persons shall be relieved of all obligations and covenants under this Indenture and the Securities and in the event of such sale, assignment, transfer, lease, conveyance or other disposition, except in the case of a lease, any such predecessor Person may be dissolved and liquidated.

ARTICLE 12 SATISFACTION AND DISCHARGE OF INDENTURE, DEFEASANCE, UNCLAIMED MONEYS

Section 12.1 Satisfaction and Discharge of Securities of Any Series.

The Company shall be deemed to have satisfied and discharged this Indenture with respect to the entire indebtedness on all the Outstanding Securities of any particular series, and

the Trustee, at the expense of the Company and upon Company Request, shall execute proper instruments acknowledging such satisfaction and discharge, when either:

(a) all Outstanding Securities of such series theretofore authenticated and delivered (other than (i) any Securities of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.7 and (ii) Outstanding Securities of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company, as provided in Section 12.3) have been delivered to the Trustee for cancellation; or

(b)

(i) all Outstanding Securities of such series described in clause (a) above (other than the Securities referred to in the parenthetical phrase thereof) not theretofore delivered to the Trustee for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise, will become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company and the Company has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of Holders of Securities of such series cash in U.S. Dollars, Government Securities, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest to pay and discharge the entire indebtedness on all such Outstanding Securities of such series not therefore delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest, if any, to the date of maturity or redemption;

(ii) no Default (other than that resulting from borrowing funds to be applied to make such deposit or any similar and simultaneous deposit relating to other Indebtedness and the granting of Liens in connection therewith) with respect to the Indenture as it relates to the Securities of such series or the Securities of such series shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Company is a party or by which the Company is bound (other than resulting from any borrowing of funds to be applied to make such deposit and any similar and simultaneous deposit relating to such other Indebtedness and the granting of Liens in connection therewith);

(iii) the Company has paid or caused to be paid all sums payable by it under this Indenture with respect to the Outstanding Securities of such series, including all fees due to the Trustee under Section 7.6; and

(iv) the Company has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Securities of such series at maturity or the redemption date, as the case may be.

(c) In addition, the Company shall deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to the entire indebtedness on all Outstanding Securities of any such series have been satisfied.

Upon the satisfaction of the conditions set forth in this Section 12.1 with respect to all the Outstanding Securities of any series, the terms and conditions with respect thereto set forth in this Indenture shall no longer be binding upon, or applicable to, the Company; provided, however, that the Company shall not be discharged from (a) any obligations under Section 7.6 and Section 7.10 and (b) any obligations under Section 3.6, Section 3.7, Section 5.1 and Section 12.3; and provided, further, that in the event a petition for relief under Bankruptcy Law is filed with respect to the Company within 91 days after the deposit, this Indenture with respect to the entire indebtedness on all Securities of such series shall not be discharged, and in such event the Trustee shall return such deposited funds or obligations as it is then holding to the Company upon Company Request.

Section 12.2 Legal Defeasance and Covenant Defeasance.

(a) Unless otherwise specified with respect to Securities of a particular series pursuant to Section 3.1, the Company may, at its option and at any time, elect to have Section 12.2(b) or Section 12.2(c) be applied to all Outstanding Securities of any series upon compliance with the conditions set forth below in this Section 12.2.

(b) Upon the Company's exercise of the above option applicable to this Section 12.2(b) with respect to any Securities of or within a series, the Company shall, subject to the satisfaction of the conditions set forth in Section 12.2(d), be deemed to have been discharged from its obligations with respect to such Outstanding Securities on the date the conditions set forth in clause (d) of this Section 12.2 are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by such Outstanding Securities which shall thereafter be deemed to be "Outstanding" only for the purposes of Section 12.3 and the other Sections of this Indenture referred to in clauses (i) and (ii) below, and to have satisfied all of its other obligations under the Securities of such series and this Indenture insofar as such Securities are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (i) the rights of Holders of such Outstanding Securities to receive payments in respect of the principal of, and premium, if any, and interest, if any, on such Securities when such payments are due solely out of the trust fund created pursuant to clause (d) of this Section 12.2, and any rights of such Holder to convert such Securities into Common Stock of the Company or exchange such Securities for other securities; (ii) the Company's obligations with respect to such Securities concerning issuing temporary Securities, mutilated, destroyed, lost or stolen Securities and the maintenance of an office or agency for payment of money for security payments held in trust, and with respect to any rights to convert such Securities into Common Stock of the Company or exchange such Securities for other securities; (iii) the rights, powers, trusts, duties and immunities of the Trustee hereunder including, without limitation, the compensation, reimbursement and indemnities provided in

Section 7.6 herein, and the Company's obligations in connection therewith; and (iv) this Section 12.2(b). The Company may exercise its option under this Section 12.2(b) notwithstanding the prior exercise of its option under clause (c) of this Section 12.2 with respect to such Securities.

(c) Upon the Company's exercise of the option to have this Section 12.2(c) apply with respect to any Securities of or within a series, the Company shall, subject to the satisfaction of the conditions set forth in Section 12.2(d), be released from its obligations under the covenants contained in Sections 4.7, 4.9 and 5.3 and its obligations under any covenants contained in any supplemental indenture applicable to such Securities with respect to such Outstanding Securities on and after the date the conditions set forth in clause (d) of this Section 12.2 are satisfied (hereinafter, "Covenant Defeasance"), and such Securities shall thereafter be deemed to be not "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with any such covenant or obligation, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose, Covenant Defeasance means that, with respect to such Outstanding Securities, the Company may omit to comply with, and shall have no liability in respect of, any term, condition or limitation set forth in any such Section or such other covenant or obligation, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or such other covenant or obligation or by reason of reference in any such Section or such other covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.1 but, except as specified above, the remainder of this Indenture and such Securities shall be unaffected thereby. In addition, upon the Company's exercise of the option to have this Section 12.2(c) apply with respect to any Securities of or within a series, subject to the satisfaction of the conditions set forth in Section 12.2(d), Sections 6.1(c), 6.1(d) and 6.1(g) shall not constitute Events of Default.

(d) The following shall be the conditions to application of clause (b) or (c) of this Section 12.2 to any Outstanding Securities of or within a series:

(i) the Company shall irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Securities of such series, cash in U.S. dollars, Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest, if any, due on the Securities of such series on the stated maturity date or on the redemption date, as the case may be, of such principal, premium, if any, or interest, if any, on the Securities of such series and the Company shall specify whether the Securities of such series are being defeased to maturity or to a particular redemption date;

(ii) in the case of Legal Defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel confirming that, subject to customary assumptions and exclusions, (x) the Company has received from, or there has been published by, the United States Internal Revenue Service a ruling, or (y) since the issuance of the Securities of such series, there has been a change in the applicable U.S. federal income

tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, subject to customary assumptions and exclusions, the Holders of the Securities of such series will not recognize income, gain or loss for U.S. federal income tax purposes, as applicable, as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(iii) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel confirming that, subject to customary assumptions and exclusions, the Holders of the Securities of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(iv) no Default (other than that resulting from borrowing funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith) shall have occurred and be continuing on the date of such deposit;

(v) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Company is a party or by which the Company is bound (other than that resulting from any borrowing of funds to be applied to make the deposit required to effect such Legal Defeasance or Covenant Defeasance and any similar and simultaneous deposit relating to such other Indebtedness, and the granting of Liens in connection therewith);

(vi) the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that, as of the date of such opinion and subject to customary assumptions and exclusions following the deposit, the trust funds will not be subject to the effect of Section 547 of Title 11 of the United States Code;

(vii) the Company shall have delivered to the Trustee an Officer's Certificate stating that the deposit was not made by the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others;

(viii) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent for or relating to the Legal Defeasance or Covenant Defeasance under clause (b) or (c) of this Section 12.2, as the case may be, have been complied with; and

(ix) notwithstanding any other provision of this Section 12.2(d), such Legal Defeasance or Covenant Defeasance shall be effected in compliance with any additional or substitute terms, conditions or limitations in respect of the Securities of any series which may be imposed on the Company pursuant to Section 3.1.

(c) Unless otherwise specified in or pursuant to this Indenture, if, after a deposit referred to in Section 12.2(d)(i) has been made, (i) the Holder of a Security in respect of which such deposit was made is entitled to, and does, elect pursuant to Section 3.1 or the terms of such Security to receive payment in a Currency other than that in which the deposit pursuant to Section 12.2(d)(i) has been made in respect of such Security, or (ii) a Conversion Event occurs in respect of the Foreign Currency in which the deposit pursuant to Section 12.2(d)(i) has been made, the indebtedness represented by such Security shall be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of, premium, if any, and interest, if any, on such Security as the same becomes due out of the proceeds yielded by converting (from time to time as specified below in the case of any such election) the amount or other property deposited in respect of such Security into the Currency in which such Security becomes payable as a result of such election or Conversion Event based on (x) in the case of payments made pursuant to clause (i) above, the applicable market exchange rate for such Currency in effect on the second Business Day prior to each payment date, or (y) with respect to a Conversion Event, the applicable market exchange rate for such Foreign Currency in effect (as nearly as feasible) at the time of the Conversion Event.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge, imposed on or assessed against the Government Securities deposited pursuant to this Section 12.2 or the principal or interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of such Outstanding Securities.

Anything in this Section 12.2 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or Government Securities (or other property and any proceeds therefrom) held by it as provided in clause (d) of this Section 12.2 which, in the opinion of a nationally recognized firm of independent public accountants, which shall be delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect a Legal Defeasance or Covenant Defeasance, as applicable, in accordance with this Section 12.2.

Section 12.3 Application of Trust Money.

All money and obligations deposited with the Trustee pursuant to Section 12.1 or 12.2 shall be held irrevocably in trust, which shall be made under the terms of an escrow trust agreement in form and substance satisfactory to the Company and the Trustee. Such money and obligations shall be applied by the Trustee, in accordance with the provisions of the Securities, this Indenture and such escrow trust agreement, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal of (and premium, if any) and interest, if any, on the Securities for the payment of which such money and obligations have been deposited with the Trustee. If Securities of any series are to be redeemed prior to their Stated Maturity, whether pursuant to any optional redemption provisions or in accordance with any mandatory or optional sinking fund requirement, the Company shall give the required notice of redemption or shall make such arrangements as are satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

Section 12.4 Repayment of Moneys Held by Paying Agent.

In connection with the satisfaction and discharge of this Indenture with respect to Securities of any series, all moneys with respect to such series then held by any Paying Agent (and not required for such satisfaction and discharge) shall, upon receipt of a Company Request for the same, be repaid to the Company or paid to the Trustee and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

Section 12.5 Return of Unclaimed Moneys Held by Trustee and Paying Agent.

Any moneys deposited with or paid to the Trustee or any Paying Agent for the payment of the principal of, or premium, if any, or interest, if any, on, Securities of any series and which shall not be applied but shall remain unclaimed by the Holders of Securities of such series for two years after the date upon which such payment shall have become due and payable, shall be repaid to the Company by the Trustee on demand; and the Holder of any of such Securities entitled to receive such payment shall thereafter look only to the Company for the payment thereof; provided, however, that the Company or the Trustee, before making any such repayment, shall at the expense of the Company cause to be published once a week for two successive weeks (in each case, on any day of the week) in an Authorized Newspaper, or mail to each Holder, or both, a notice that said moneys have not been so applied and that after a date named therein any unclaimed balance of said moneys then remaining will be returned to the Company.

If the Trustee or Paying Agent is unable to apply any money in accordance with Section 12.3 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 12.1 or Section 12.2 until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 12.3; provided, however, that if the Company makes any payment of premium, if any, or interest on or principal of any Security following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money held by the Trustee or Paying Agent.

**ARTICLE 13
MISCELLANEOUS PROVISIONS**

Section 13.1 No Personal Liability of Directors, Officers, Employees and Stockholders.

No director, officer, employee, incorporator or stockholder of the Company or any of its parent companies shall have any liability for any obligations of the Company under any Security or the Indenture or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting Securities waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Securities.

Section 13.2 Provisions of Indenture for the Sole Benefit of Parties and Holders.

Nothing in this Indenture or in the Securities, expressed or implied, shall give or be construed to give to any Person, other than the parties hereto and their successors and the Holders of the Securities, any legal or equitable right, remedy or claim under this Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and the Holders of the Securities.

Section 13.3 Successors and Assigns of Company Bound by Indenture.

All the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of the Company shall bind its successors and assigns, whether so expressed or not.

Section 13.4 Notices to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed by first-class mail, postage prepaid, to such Holders as their names and addresses appear on the Securities Register or otherwise in accordance with the procedures of the Depository within the time prescribed. All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five calendar days after being deposited in the mail, postage prepaid, if mailed by first-class mail; when receipt acknowledged, if faxed; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance on such waiver. Neither the failure to give a notice, nor any defect in any notice to any particular Holder, shall affect the sufficiency of such notice with respect to other Holders, and any notice which is given in the manner herein provided shall be conclusively presumed to have been duly given. In case by reason of the suspension of publication of any Authorized Newspapers or by reason of any other cause it shall be impracticable to publish any notice to Holders otherwise required or permitted under this Indenture, then such notification as shall be given with the approval of the Trustee shall constitute sufficient notice to such Holders for every purpose hereunder.

Section 13.5 Addresses for Notices.

Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders of Securities of any series on the Company may be given or served by registered mail or facsimile addressed (until another address is filed by the Company with the Trustee) as follows: The Narragansett Electric Company, 280 Melrose Street, Providence, Rhode Island 02907, Attention: Treasurer, with a copy to Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York 10017, Fax No.: (212) 455-2502; Attention: Vincent Pagano Jr., Esq. Any notice, direction,

request or demand by the Company or any Holders of Securities of any series to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if received at the Corporate Trust Office of such Trustee.

Section 13.6 Officer's Certificates and Opinions of Counsel; Statements to Be Contained Therein.

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

Each certificate or opinion provided for in this Indenture (other than annual certificates provided pursuant to Section 4.10) and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the Person making such certificate or opinion has read such covenant or condition, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (c) a statement that, in the opinion of 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 (d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

Any certificate, statement or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters, upon the certificate, statement or opinion of or representations by an officer or officers of the Company, unless such counsel knows that the certificate, statement or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate, statement or opinion of an officer of the Company or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Company, unless such officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which his certificate, statement or

opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants filed with the Trustee shall contain a statement that such firm is independent.

Section 13.7 Separability Clause.

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

Section 13.8 Legal Holidays.

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

Section 13.9 Conflict of Any Provision of Indenture with Trust Indenture Act.

If and to the extent that any provision of this Indenture limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under the Trust Indenture Act to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the former provision shall control.

Section 13.10 Governing Law.

THIS INDENTURE AND EACH SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 13.11 Submission to Jurisdiction; Waiver of Jury Trial.

EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF ANY U.S. FEDERAL OR NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN, NEW YORK, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, OR FOR RECOGNITION OR

ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS INDENTURE SHALL AFFECT ANY RIGHT THAT THE COMPANY, THE TRUSTEE OR ANY HOLDER OF SECURITIES MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS INDENTURE AGAINST ANY PARTY HERETO OR ITS PROPERTIES IN THE COURTS OF ANY OTHER JURISDICTION. THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE OR ANY SECURITY.

Section 13.12 No Security Interest Created.

Subject to the provisions of Section 4.6, nothing in this Indenture or in any Securities, express or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect in any jurisdiction where property of the Company or its Subsidiaries is or may be located.

Section 13.13 Force Majeure.

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused by, directly or indirectly, forces beyond its reasonable control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 13.14 Counterparts.

This Indenture may be executed in any number of counterparts, and on separate counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 13.15 Effect of Headings.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the interpretation hereof.

ARTICLE 14
REDEMPTION OF SECURITIES

Section 14.1 Applicability of Article.

The provisions of this Article shall be applicable to the Securities of any series which are redeemable before their Stated Maturity, except as otherwise specified as contemplated by Section 3.1 for Securities of such series.

Section 14.2 Notice of Redemption; Selection of Securities.

In case the Company shall desire to exercise the right to redeem all or, as the case may be, any part of the Securities of any series in accordance with their terms, it shall fix a Redemption Date and shall provide notice of such redemption at least 45 days prior to such Redemption Date to the Trustee and at least 30 days but no more than 60 days prior to such Redemption Date to the Holders of Securities of such series so to be redeemed as a whole or in part in the manner provided in Section 13.4, unless a different period is specified in the Securities to be redeemed, except that redemption notices may be mailed more than 60 days prior to a Redemption Date if the notice is issued in connection with Article 12 hereof. The notice provided in the manner herein specified shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. In any case, failure to give such notice or any defect in the notice to the Holder of any Security of a series designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security of such series.

Each such notice of redemption shall specify the Redemption Date, the Redemption Price, the CUSIP, Common Code, ISIN or other comparable number, the Place or Places of Payment, that the Securities of such series are being redeemed at the option of the Company pursuant to provisions contained in the terms of the Securities of such series or in a supplemental indenture establishing such series, if such be the case, together with a brief statement of the facts permitting such redemption, that payment will be made upon presentation and surrender of the applicable Securities at the Place or Places of Payment, that the Redemption Price together with any accrued and unpaid interest to the Redemption Date will be paid as specified in said notice, the conditions precedent to the redemption, and that on and after said Redemption Date any interest thereon or on the portions thereof to be redeemed will cease to accrue, and any information that is required to be included therein by the Depository.

In case any Security of any series is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the Redemption Date, upon surrender of such Security, a new Security or Securities of such series in principal amount equal to the unredeemed portion thereof will be issued, or, in the case of Securities providing appropriate space for such notation, at the option of the Holders the Trustee, in lieu of delivering a new Security or Securities as aforesaid, may make a notation on such Security of the payment of the redeemed portion thereof.

On or before the Redemption Date with respect to the Securities of any series stated in the notice of redemption given as provided in this Section 14.2, the Company will deposit with

the Trustee or with one or more Paying Agents an amount of money (except as otherwise specified as contemplated by Section 3.1 for the Securities of such series or if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 4.3) sufficient to redeem on such Redemption Date all the Securities or portions thereof so called for redemption at the applicable Redemption Price, together with any accrued and unpaid interest, if any, to, but not including, such Redemption Date.

If the Company is redeeming less than all of the Securities of any series issued by it at any time, the Trustee will select the Securities of such series to be redeemed (a) if the Securities of such series are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Securities of such series are listed, (b) on a pro rata basis to the extent practicable or, if a pro rata basis is not practicable for any reason, by lot or by such other method as the Trustee shall deem fair and appropriate, or (c) by lot or such other similar method in accordance with the procedures of the Depository.

If the Trustee shall use "CUSIP," "Common Code" or "ISIN" numbers in notices as a convenience to Holders, then any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee in writing of any change in the "CUSIP," "Common Code" or "ISIN" numbers.

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

Section 14.3 Payment of Securities Called for Redemption.

If notice of redemption has been given as above provided and the Company has deposited, on or before the Redemption Date, with the Trustee (and/or having irrevocably directed the Trustee to apply, from money held by it available to be used for the redemption of Securities) an amount in cash sufficient to redeem all of the Securities to be redeemed, the Securities or portions of Securities of the series specified in such notice shall become due and payable on the Redemption Date, and at the place or places stated in such notice at the applicable Redemption Price, together with any interest accrued and unpaid to, but not including, such Redemption Date, and on and after said Redemption Date any interest on the Securities or portion of Securities of any series so called for redemption shall cease to accrue. On presentation and surrender of such Securities at a Place of Payment in such notice specified, such Securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable Redemption Price, together with any interest accrued and unpaid to, but not including, the Redemption Date, except that if such Redemption Date is an Interest Payment Date, interest shall be paid as provided in Section 3.8.

Upon presentation of any Security redeemed in part only, the Company shall execute and the Trustee shall authenticate and make available for delivery to or on the order of the

Holder thereof, at the expense of the Company, a new Security or Securities of such series, of authorized denominations, in principal amount equal to the unredeemed portion of the Security so presented.

If a Security in global form is so surrendered, the Company shall execute, and the Trustee shall authenticate and deliver to the Depository for such Security in global form as shall be specified in the Company Order with respect thereto to the Trustee, without service charge, a new Security in global form in a denomination equal to and in exchange for the unredeemed portion of the principal of the Security in global form so surrendered.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal and any premium, until paid, shall bear interest from the Redemption Date at the rate prescribed therefor in the Security.

IN WITNESS WHEREOF, each of the parties hereto has caused this Indenture to be duly executed on its behalf as of the date first above written.

THE NARRAGANSETT ELECTRIC
COMPANY

By: M.C. Cooper
Name: Malcolm Cooper
Title: Treasurer

Signed for and on behalf of
THE BANK OF NEW YORK MELLON,
as Trustee

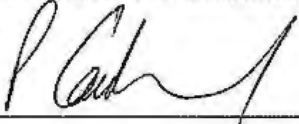
By: _____
Name:
Title:

IN WITNESS WHEREOF, each of the parties hereto has caused this Indenture to be duly executed on its behalf as of the date first above written.

THE NARRAGANSETT ELECTRIC
COMPANY

By: _____
Name: Malcolm Cooper
Title: Treasurer

Signed for and on behalf of
THE BANK OF NEW YORK MELLON,
as Trustee

By:  _____
Name:
Title: **Paul Cattermole**
Vice President

EXECUTION COPY

FIRST SUPPLEMENTAL INDENTURE

among

THE NARRAGANSETT ELECTRIC COMPANY
as Issuer,

and

THE BANK OF NEW YORK MELLON,
as Trustee and Paying Agent

March 22, 2010

\$250,000,000

4.534% SENIOR NOTES DUE 2020

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THIS FIRST SUPPLEMENTAL INDENTURE, dated as of March 22, 2010, between The Narragansett Electric Company, a Rhode Island company (the “**Issuer**”), and The Bank of New York Mellon, a New York banking corporation duly organized and existing under the laws of the State of New York, as trustee (the “**Trustee**”) and paying agent (the “**Paying Agent**”).

WHEREAS, the Issuer has heretofore entered into an Indenture, dated as of March 22, 2010 (the “**Original Indenture**”), with the Trustee;

WHEREAS, the Original Indenture, as supplemented by this Supplemental Indenture, is herein called the “**Indenture**”;

WHEREAS, pursuant to Section 3.1 of the Original Indenture, the Issuer proposes to create a new series of Securities under the Indenture;

WHEREAS, the Issuer hereby resolves to issue Designated Securities (as such term is defined in Section 2.1 hereof) in an aggregate principal amount of \$250,000,000 and with the terms and conditions set forth in this Supplemental Indenture; and

WHEREAS, all things necessary to make this Supplemental Indenture a valid agreement of the Issuer, in accordance with its terms, have been done;

NOW, THEREFORE, for and in consideration of the premises and the purchases of the Designated Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of Designated Securities, as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.1. *Definitions.* For all purposes of this Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (b) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
- (c) unless the context otherwise requires, any reference to an “**Article**” or a “**Section**” refers to an Article or a Section, as the case may be, of this Supplemental Indenture;
- (d) the words “**herein**”, “**hereof**” and “**hereunder**” and other words of similar import refer to this Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision; and

(c) all terms used but not defined in this Supplemental Indenture, which are defined in the Original Indenture, shall have the meanings assigned to them in the Original Indenture.

“**Additional Designated Securities**” has the meaning ascribed in Section 2.2.

“**Applicable Procedures**” means, with respect to any transfer or exchange of or for beneficial interests in any Global Security, the rules and procedures of the Depository, Euroclear and/or Clearstream that apply to such transfer or exchange.

“**Business Day**” means each day which is not a Legal Holiday.

“**Clearstream**” means Clearstream Banking, Société Anonyme, and its successors.

“**Definitive Security**” means a certificated Designated Security registered in the name of the Holder thereof and issued in accordance with Section 2.9 hereof, substantially in the form of Exhibit A hereto, except that such Designated Security shall not bear the Global Security Legend and shall not have the “Schedule of Exchanges of Interests in the Global Security” attached thereto.

“**Depository**” means The Depository Trust Company and its successors.

“**Designated Securities**” has the meaning ascribed in Section 2.1.

“**Euroclear**” means Euroclear Bank, S.A./N.V., as operator of the Euroclear system.

“**Global Security Legend**” means the legend set forth in Section 2.9(f)(ii) hereof, which is required to be placed on all Global Securities issued under this Supplemental Indenture.

“**Global Securities**” means, individually and collectively, each of the Restricted Global Securities and the Unrestricted Global Securities deposited with or on behalf of and registered in the name of the Depository or its nominee, substantially in the form of Exhibit A hereto, and that bears the Global Security Legend and that has the “Schedule of Exchanges of Interests in the Global Security” attached thereto, issued in accordance with the Indenture.

“**Indirect Participant**” means a Person who holds a beneficial interest in a Global Security through a Participant.

“**Initial Designated Securities**” has the meaning ascribed in Section 2.2.

“**Interest Payment Date**” has the meaning ascribed in Section 2.4(b).

“**Issue Date**” means March 22, 2010.

“Legal Holiday” means a Saturday, a Sunday or a day on which commercial banking institutions are not required to be open in the State of New York.

“Non-U.S. Person” means a Person who is not a U.S. Person.

“Participant” means, with respect to the Depository, Euroclear or Clearstream, a Person who has an account with the Depository, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

“Private Placement Legend” means the legend set forth in Section 2.09(f)(i) hereof.

“QIB” means a “qualified institutional buyer” as defined in Rule 144A.

“Regular Record Date” means, with respect to the applicable Interest Payment Date, the close of business on the preceding March 1 or September 1, as the case may be.

“Regulation S” means Regulation S promulgated under the Securities Act.

“Regulation S Global Security” means a Regulation S Temporary Global Security or Regulation S Permanent Global Security, as appropriate.

“Regulation S Permanent Global Security” means a permanent Global Security in the form of Exhibit A hereto, bearing the Global Security Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depository or its nominee, issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Security upon expiration of the Restricted Period.

“Regulation S Temporary Global Security” means a temporary Global Security in the form of Exhibit A hereto, bearing the Global Security Legend, the Private Placement Legend and the Regulation S Temporary Global Security Legend and deposited with or on behalf of and registered in the name of the Depository or its nominee, issued in a denomination equal to the outstanding principal amount of the Designated Securities initially sold in reliance on Rule 903.

“Regulation S Temporary Global Security Legend” means the legend set forth in Section 2.09(f)(iii) hereof.

“Restricted Definitive Security” means a Definitive Security bearing the Private Placement Legend.

“Restricted Global Security” means a Global Security bearing the Private Placement Legend.

“Restricted Period” means the 40-day distribution compliance period as defined in Regulation S.

“**Rule 144**” means Rule 144 promulgated under the Securities Act.

“**Rule 144A**” means Rule 144A promulgated under the Securities Act.

“**Rule 903**” means Rule 903 promulgated under the Securities Act.

“**Rule 904**” means Rule 904 promulgated under the Securities Act.

“**Stated Maturity**” means March 15, 2020.

“**Supplemental Indenture**” means this instrument as originally executed or as it may from time to time be supplemented or amended in accordance with the terms of the Indenture.

“**Unrestricted Definitive Security**” means one or more Definitive Securities that do not bear and are not required to bear the Private Placement Legend.

“**Unrestricted Global Security**” means a permanent Global Security, substantially in the form of Exhibit A attached hereto, that bears the Global Security Legend and that has the “Schedule of Exchanges of Interests in the Global Security” attached thereto, and that is deposited with or on behalf of and registered in the name of the Depository, representing Global Securities that do not bear and are not required to bear the Private Placement Legend.

“**U.S. Person**” means a U.S. person as defined in Rule 902(k) promulgated under the Securities Act.

SECTION 1.2. *Conflict with Trust Indenture Act.* If and to the extent that any provision of this Supplemental Indenture limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under the Trust Indenture Act to be a part of and govern this Supplemental Indenture, the latter provision shall control. If any provision of this Supplemental Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the former provision shall control.

SECTION 1.3. *Effect of Headings and Table of Contents.* The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.4. *Successors and Assigns.* All covenants and agreements in this Supplemental Indenture by the Issuer shall bind its successors and assigns, whether so expressed or not.

SECTION 1.5. *Separability Clause.* In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.6. *Benefits of Supplemental Indenture.* Nothing in the Indenture or the Designated Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders of Designated Securities, any benefit or any legal or equitable right, remedy or claim under the Indenture.

SECTION 1.7. *Governing Law.* This Supplemental Indenture and the Designated Securities shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 1.8. *Execution in Counterparts.* This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 1.9. *Recitals by the Issuer.* The recitals in this Supplemental Indenture are made by the Issuer only and not by the Trustee, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of the Designated Securities and of this Supplemental Indenture as fully and with like effect as if set forth herein in full.

SECTION 1.10. *Ratification and Incorporation of Original Indenture.* As supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture and this Supplemental Indenture shall be read, taken and construed as one and the same instrument.

ARTICLE 2 DESIGNATED SECURITIES

SECTION 2.1. *Creation of Designated Securities.* There is hereby created a new series of Securities to be issued under the Indenture, to be designated as "4.534% Senior Notes due 2020" (the "**Designated Securities**").

SECTION 2.2. *Aggregate Principal Amount of Designated Securities.* The aggregate principal amount of the Designated Securities shall initially be limited to \$250,000,000 (except for Designated Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Designated Securities pursuant to Section 3.6, 3.7, 3.10 or 10.6 of the Original Indenture and except for any Designated Securities which, pursuant to Section 3.3 of the Original Indenture, are deemed never to have been authenticated and delivered under the Indenture) (the "**Initial Designated Securities**"). The Issuer may create and issue an unlimited amount of additional Designated Securities from time to time, without notice to or the consent of the Holders of Designated Securities, having the same terms and conditions in all material respects as the Initial Designated Securities ("**Additional Designated Securities**"). Any Additional Designated Securities shall be consolidated with and form a single class with the Initial Designated Securities and have the same terms as to status, redemption or

otherwise as the Initial Designated Securities. Additional Designated Securities issued with the same CUSIP, ISIN or other identifying number as the CUSIP, ISIN or other identifying number of the Initial Designated Securities shall be issued with no more than a *de minimis* amount of original issue discount, or as part of a qualified reopening, in each case for U.S. federal income tax purposes. Unless the context otherwise requires, references to “Designated Securities” for all purposes of this Supplemental Indenture include the Initial Designated Securities and any Additional Designated Securities actually issued.

SECTION 2.3. *Payment of Principal.* The principal of the Outstanding Designated Securities shall be due and payable at the Stated Maturity.

SECTION 2.4. *Interest and Interest Rate.*

(a) The Designated Securities will bear interest at 4.534% per annum from the Issue Date until Maturity.

(b) The Issuer will pay interest on the Designated Securities semi-annually in arrears on March 15 and September 15 of each year, commencing September 15, 2010, until Maturity, and at Maturity (each an “**Interest Payment Date**”).

(c) Interest on the Designated Securities will be computed on the basis of a 360-day year comprised of twelve 30-day months. Except as described below for the first Interest Payment Date, on each Interest Payment Date, the Issuer will pay interest on the Designated Securities for the period commencing on and including the immediately preceding Interest Payment Date and ending on and excluding such Interest Payment Date.

(d) On the first Interest Payment Date, the Issuer will pay interest for the period commencing on and including the Issue Date and ending on and excluding the first Interest Payment Date.

(e) If any Interest Payment Date falls on a day that is not a Business Day, the interest payment shall be postponed to the next day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.

(f) If the Maturity of any Designated Security is not a Business Day, payment of principal, premium, if any, and interest on the applicable Designated Security will be made on the next succeeding day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.

(g) Interest on each Designated Security will be paid only to the Person in whose name such Designated Security was registered at the close of business on the Regular Record Date for the applicable Interest Payment Date.

SECTION 2.5. *Paying Agent.*

(a) Upon the terms and subject to the conditions contained herein, the Issuer hereby appoints The Bank of New York Mellon as the initial Paying Agent under the Indenture for the purpose of performing the functions of the Paying Agent with respect to the Designated Securities.

(b) The Paying Agent shall exercise due care in performing the functions of the Paying Agent for the Designated Securities.

(c) The Paying Agent accepts its obligations set forth herein, upon the terms and subject to the conditions hereof, including the following, to all of which the Issuer agrees:

(i) The Paying Agent shall be entitled to such compensation as may be agreed in writing with the Issuer for all services rendered by the Paying Agent, and the Issuer promises to pay such compensation and to reimburse the Paying Agent for the reasonable out-of-pocket expenses (including reasonable counsel fees and expenses) properly incurred by it in connection with the services rendered by it hereunder upon receipt of such invoices as the Issuer shall reasonably require. The Issuer agrees to indemnify the Paying Agent (which for purposes of this subsection shall include its directors, officers, employees and agents) for, and to hold it harmless against, any and all loss, liability, damage, claims or reasonable expenses (including the costs and expenses of defending against any claim of liability) properly incurred by the Paying Agent that arises out of or in connection with its acting as Paying Agent hereunder, except such as may result from the negligence, willful misconduct or bad faith of the Paying Agent or any of its agents or employees. The Paying Agent shall incur no liability and shall be indemnified and held harmless by the Issuer for, or in respect of, any action taken or omitted by it in good faith in reliance upon written instructions from the Issuer. The provisions of this paragraph shall survive the termination of this Supplemental Indenture and the resignation or removal of the Paying Agent.

(ii) In acting under the Indenture and in connection with the Designated Securities, the Paying Agent is acting solely as agent of the Issuer and does not assume any obligations to, or relationship of agency or trust for or with, any of the Holders of the Designated Securities.

(iii) The Paying Agent shall be protected and shall incur no liability for or in respect of any action taken or omitted to be taken or anything suffered by it in reliance upon the terms of the Designated Securities or any document, including any resolution, Officer's Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon or security (whether in original or

facsimile form), believed by it to be genuine and to have been signed or presented by the proper party or parties.

(iv) The duties and obligations of the Paying Agent shall be determined solely by the express provisions of the Indenture, and the Paying Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Paying Agent.

(v) Unless herein otherwise specifically provided, any request, direction, order or demand of the Issuer mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed).

(vi) The Paying Agent may, upon obtaining the prior written consent of the Issuer (which consent shall not be unreasonably withheld) perform any duties hereunder either directly or by or through agents or attorneys not regularly in its employ, and the Paying Agent shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder.

(vii) Sections 7.2(c), 7.2(e), 7.2(i) and 7.2(j) of the Original Indenture are also deemed applicable to the Paying Agent.

(viii) None of the provisions hereunder shall require the Paying Agent to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.

(ix) In no event shall the Paying Agent be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused by, directly or indirectly, forces beyond its reasonable control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services; it being understood that the Paying Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(d) (i) The Paying Agent may at any time resign as Paying Agent by giving written notice to the Issuer of such intention on its part, specifying

the date on which its desired resignation shall become effective; *provided, however,* that such date shall not be earlier than 60 days after the receipt of such notice by the Issuer, unless the Issuer agrees in writing to accept less notice. The Paying Agent may be removed (with or without cause) at any time by the filing with it of any instrument in writing signed on behalf of the Issuer by any proper officer or an authorized person thereof and specifying such removal and the date when it is intended to become effective (such date shall not be earlier than 60 days after the receipt of such instrument by the Paying Agent, unless otherwise agreed by the parties), subject to (if such Paying Agent is not also the Trustee) the written consent of the Trustee, which consent shall not be unreasonably withheld. Notwithstanding the provisions of this Section 2.1(d)(i), such resignation or removal shall take effect only upon the date of the appointment by the Issuer, as hereinafter provided, and the acceptance thereof, of a successor Paying Agent. If within 30 days after notice of resignation or removal has been received, a successor Paying Agent has not been appointed, the Paying Agent may petition a court of competent jurisdiction to appoint a successor Paying Agent at the Issuer's cost, as per Section 2.5(c)(i) hereof. A successor Paying Agent shall be appointed by the Issuer by an instrument in writing signed on behalf of the Issuer by any proper officer or an authorized person thereof and the successor Paying Agent. Upon the appointment of a successor Paying Agent and acceptance by it of such appointment, the Paying Agent so succeeded shall cease to be such Paying Agent hereunder. Upon its resignation or removal, the Paying Agent shall be entitled to the payment by the Issuer of its compensation, if any is owed to it, for services rendered hereunder and to the reimbursement of all reasonable and properly incurred out-of-pocket expenses incurred in connection with the services rendered by it hereunder, in each case as per Section 2.5(c)(i) hereof.

(ii) Any successor Paying Agent appointed hereunder shall execute and deliver to its predecessor and to the Issuer an instrument accepting such appointment hereunder, and thereupon such successor Paying Agent, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of such predecessor with like effect as if originally named as such Paying Agent hereunder, and such predecessor, upon payment by the Issuer of its charges and disbursements then unpaid, shall thereupon become obliged to transfer and deliver, and such successor Paying Agent shall be entitled to receive, copies of any relevant records maintained by such predecessor Paying Agent.

(iii) Any Person into which the Paying Agent may be merged or converted or with which the Paying Agent may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Paying Agent shall be a party, or any Person succeeding to all or

substantially all of the assets and business of the Paying Agent, or all or substantially all of the corporate trust business of the Paying Agent shall, to the extent permitted by applicable law and provided that it shall have an established place of business in New York, New York, be the successor Paying Agent under the Indenture without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notice of any such merger, conversion, consolidation or sale shall be given to the Issuer as promptly as practicable following such merger, conversion, consolidation or sale.

(iv) Any notice required to be given by the Paying Agent to any other Person hereunder shall be given in accordance with Section 13.5 of the Original Indenture. Any notice to be given to the Paying Agent shall be delivered in person, sent by first class mail or overnight air courier guaranteeing next day delivery or communicated by facsimile, to the following address (or to any other address of which the Paying Agent shall have notified the Issuer in writing): The Bank of New York Mellon, Corporate Trust Services, One Canada Square, London E14 5AL, United Kingdom, Fax: +44-(0)20-7964-2536, Attention: Corporate Trust Services, with a copy to: The Bank of New York Mellon, Global Trust Services, 101 Barclay Street, New York, New York, Fax: (212) 815-5366. All notices shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five calendar days after being deposited in the mail, postage prepaid, if mailed by first-class mail; when receipt acknowledged, if faxed; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

SECTION 2.6. *Place of Payment.* The place or places where, subject to the provisions of Section 4.2 of the Original Indenture, the principal of, premium, if any, and interest, if any, on the Designated Securities shall be payable, Designated Securities may be surrendered for registration, transfer or exchange and notices and demands to or upon the Issuer in respect of the Designated Securities and the Indenture may be served shall be the Corporate Trust Office of the Trustee in the United States.

SECTION 2.7. *Denominations.* The Designated Securities shall be issued in denominations of \$1,000 and integral multiples of \$1,000.

SECTION 2.8. *Form; Terms.*

(a) The Designated Securities shall be substantially in the form of Exhibit A. The Designated Securities may have notations, legends or endorsements required by law, stock exchange rules or usage.

(b) Designated Securities issued in global form shall be substantially in the form of Exhibit A (including the Global Security Legend thereon and the "Schedule of Exchanges of Interests in the Global Security" attached thereto).

Designated Securities issued in definitive form shall be substantially in the form of Exhibit A attached hereto (but without, in each case, the Global Security Legend thereon and without the "Schedule of Exchanges of Interests in the Global Security" attached thereto). Each Global Security shall represent such of the outstanding Designated Securities as shall be specified in the "Schedule of Exchanges of Interests in the Global Security" attached thereto and each shall provide that it shall represent up to the aggregate principal amount of Designated Securities from time to time endorsed thereon and that the aggregate principal amount of outstanding Designated Securities represented thereby may from time to time be reduced or increased, as applicable, to reflect exchanges and redemptions. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Designated Securities represented thereby shall be made by the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.9 hereof.

(c) Designated Securities offered and sold in reliance on Regulation S shall be issued initially in the form of the Regulation S Temporary Global Security, which shall be deposited on behalf of the purchasers of the Designated Securities represented thereby with the Trustee, as custodian for the Depository, and registered in the name of the Depository or the nominee of the Depository for the accounts of designated agents holding on behalf of Euroclear or Clearstream, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The Restricted Period shall be terminated upon the receipt by the Trustee of:

- (i) a written certificate from the Depository (if available), together with copies of certificates from Euroclear and Clearstream (if available) certifying that they have received certification of non-United States beneficial ownership of 100% of the aggregate principal amount of each Regulation S Temporary Global Security (except to the extent of any beneficial owners thereof who acquired an interest therein during the Restricted Period pursuant to another exemption from registration under the Securities Act and who shall take delivery of a beneficial ownership interest in a 144A Global Security bearing a Private Placement Legend, all as contemplated by Section 2.9(b) hereof); and
- (ii) an Officer's Certificate from the Issuer.

Following the termination of the Restricted Period, beneficial interests in each Regulation S Temporary Global Security shall be exchanged for beneficial interests in the Regulation S Permanent Global Security of the same series pursuant to the Applicable Procedures. Simultaneously with the authentication of the corresponding Regulation S Permanent Global Security, the Trustee shall cancel the corresponding Regulation S Temporary Global Security. The aggregate principal amount of a Regulation S Temporary Global Security and the Regulation S Permanent Global Security may from time to time be increased or

decreased by adjustments made on the records of the Trustee and the Depository or its nominee, as the case may be, in connection with transfers of interest as hereinafter provided.

(d) The terms and provisions contained in the Designated Securities shall constitute, and are hereby expressly made, a part of the Indenture, and the Issuer and the Trustee, by their execution and delivery of this Supplemental Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Designated Security conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

(e) The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "General Terms and Conditions of Clearstream Banking" and "Customer Handbook" of Clearstream shall be applicable to transfers of beneficial interests in the Regulation S Temporary Global Security and the Regulation S Permanent Global Securities that are held by Participants through Euroclear or Clearstream.

SECTION 2.9. *Transfer and Exchange.* The transfer or exchange of Designated Securities shall be effected in accordance with Section 3.6 of the Original Indenture and this Section 2.9.

(a) Transfer and Exchange of Global Securities. Except as otherwise set forth in this Section 2.9, a Global Security may be transferred, in whole and not in part, only to another nominee of the Depository or to a successor Depository or a nominee of such successor Depository. A beneficial interest in a Global Security may not be exchanged for a Definitive Security unless (i) the Depository (x) notifies the Issuer that it is unwilling or unable to continue as Depository for such Global Security or (y) has ceased to be a clearing agency registered under the Exchange Act and, in either case, a successor Depository is not appointed by the Issuer within 120 days or (ii) there shall have occurred and be continuing a Default with respect to the Designated Securities. Upon the occurrence of any of the preceding events in (i) or (ii) above, Definitive Securities delivered in exchange for any Global Security or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the Depository (in accordance with its customary procedures). Global Securities also may be exchanged or replaced, in whole or in part, as provided in Sections 3.7 and 3.10 of the Original Indenture. Every Designated Security authenticated and delivered in exchange for, or in lieu of, a Global Security or any portion thereof, pursuant to this Section 2.9 or Section 3.7 of the Original Indenture or 3.10 of the Original Indenture, shall be authenticated and delivered in the form of, and shall be, a Global Security, except for Definitive Securities issued subsequent to any of the preceding events in (i) or (ii) above and pursuant to Section 2.9(c) hereof. A Global Security may not be exchanged for another Designated Security other than as provided in this Section 2.9(a); provided,

however, beneficial interests in a Global Security may be transferred and exchanged as provided in Section 2.9(b), (c) or (d) hereof.

(b) Transfer and Exchange of Beneficial Interests in the Global Securities. The transfer and exchange of beneficial interests in the Global Securities shall be effected through the Depository, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Securities shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Securities also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(i) Transfer of Beneficial Interests in the Same Global Security. Beneficial interests in any Restricted Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Security in accordance with the transfer restrictions set forth in the Private Placement Legend; provided, however, that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Regulation S Temporary Global Security may not be made to a U.S. Person or for the account or benefit of a U.S. Person. Beneficial interests in any Unrestricted Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Security. No written orders or instructions shall be required to be delivered to the Securities Registrar to effect the transfers described in this Section 2.9(b)(i).

(ii) All Other Transfers and Exchanges of Beneficial Interests in Global Securities. In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.9(b)(i) hereof, the transferor of such beneficial interest must deliver to the Securities Registrar either (A) both (1) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to credit or cause to be credited a beneficial interest in another Global Security in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B) both (1) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to cause to be issued a Definitive Security of the same series in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depository to the Securities Registrar containing information regarding the Person in whose name such Definitive Security shall be registered to effect the transfer or exchange referred to in (1) above; provided that in no

event shall Definitive Securities be issued upon the transfer or exchange of beneficial interests in the Regulation S Temporary Global Security prior to (A) the expiration of the Restricted Period and (B) the receipt by the Securities Registrar of any certificates required pursuant to Rule 903. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Securities contained in this Indenture and the Designated Securities or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Securities pursuant to Section 2.9(g) hereof.

(iii) Transfer of Beneficial Interests to Another Restricted Global Security. A beneficial interest in any Restricted Global Security may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Security if the transfer complies with the requirements of Section 2.9(b)(ii) hereof and the Securities Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in a 144A Global Security, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; or

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Security, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.

(iv) Transfer and Exchange of Beneficial Interests in a Restricted Global Security for Beneficial Interests in an Unrestricted Global Security. A beneficial interest in any Restricted Global Security may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Security or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security if the exchange or transfer complies with the requirements of Section 2.9(b)(ii) hereof and the Securities Registrar receives the following:

(A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Security of the same series, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(B) if the holder of such beneficial interest in a Restricted Global Security proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial

interest in an Unrestricted Global Security of the same series, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in subparagraph (A) or (B), if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to clause (iv) above at a time when an Unrestricted Global Security has not yet been issued, the Issuer shall issue and, upon receipt of a Company Order in accordance with Section 3.3 of the Original Indenture, the Trustee shall authenticate one or more Unrestricted Global Securities in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (A) or (B) above.

Beneficial interests in an Unrestricted Global Security cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Security.

(c) Transfer or Exchange of Beneficial Interests for Definitive Securities.

(i) Beneficial Interests in Restricted Global Securities to Restricted Definitive Securities. If any holder of a beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a Restricted Definitive Security or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Security, then, upon the occurrence of any of the events in paragraph (i) or (ii) of Section 2.9(a) hereof and receipt by the Securities Registrar of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a Restricted Definitive Security, a certificate from such holder substantially in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or

Rule 904, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such beneficial interest is being transferred to the Issuer or any of its Restricted Subsidiaries, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(F) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Security to be reduced accordingly pursuant to Section 2.9(g) hereof, and the Issuer shall execute and the Trustee shall authenticate and mail to the Person designated in the instructions a Definitive Security in the applicable principal amount. Any Definitive Security issued in exchange for a beneficial interest in a Restricted Global Security pursuant to this Section 2.9(c)(i) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Securities Registrar through instructions from the Depository and the Participant or Indirect Participant. The Trustee shall mail such Definitive Securities to the Persons in whose names such Designated Securities are so registered at the address appearing in the Securities Register. Any Definitive Security issued in exchange for a beneficial interest in a Restricted Global Security pursuant to this Section 2.9(c)(i) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(ii) Beneficial Interests in Regulation S Temporary Global Security to Definitive Securities. Notwithstanding Sections 2.9(c)(i)(A) and (C) hereof, a beneficial interest in the Regulation S Temporary Global Security may not be exchanged for a Definitive Security or transferred to a Person who takes delivery thereof in the form of a Definitive Security prior to (A) the expiration of the Restricted Period and (B) the receipt by the Securities Registrar of any certificates required pursuant to Rule 903 of the Securities Act, except in the case of a transfer pursuant to an exemption from the registration requirements of the Securities Act other than Rule 903 or Rule 904.

(iii) Beneficial Interests in Restricted Global Securities to Unrestricted Definitive Securities. A holder of a beneficial interest in a Restricted

Global Security may exchange such beneficial interest for an Unrestricted Definitive Security or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Security only upon the occurrence of any of the events in subsection (i) or (ii) of Section 2.9(a) hereof and if the Securities Registrar receives the following:

(A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for an Unrestricted Definitive Security, a certificate from such holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(B) if the holder of such beneficial interest in a Restricted Global Security proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Security, a certificate from such holder substantially in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (A) or (B) above, if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(iv) Beneficial Interests in Unrestricted Global Securities to Unrestricted Definitive Securities. If any holder of a beneficial interest in an Unrestricted Global Security proposes to exchange such beneficial interest for a Definitive Security or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Security, then, upon the occurrence of any of the events in subsection (i) or (ii) of Section 2.9(a) hereof and satisfaction of the conditions set forth in Section 2.9(b)(ii) hereof, the Trustee shall cause the aggregate principal amount of the applicable Global Security to be reduced accordingly pursuant to Section 2.9(g) hereof, and the Issuer shall execute and the Trustee shall authenticate and mail to the Person designated in the instructions a Definitive Security in the applicable principal amount. Any Definitive Security issued in exchange for a beneficial interest pursuant to this Section 2.9(c)(iv) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Securities Registrar through instructions from or through the Depository and the Participant or Indirect Participant. The Trustee shall mail such Definitive Securities to the Persons in whose names such Securities are so registered. Any Definitive

Security issued in exchange for a beneficial interest pursuant to this Section 2.9(c)(iv) shall not bear the Private Placement Legend.

(d) Transfer and Exchange of Definitive Securities for Beneficial Interests.

(i) Restricted Definitive Securities to Beneficial Interests in Restricted Global Securities. If any Holder of a Restricted Definitive Security proposes to exchange such Designated Security for a beneficial interest in a Restricted Global Security or to transfer such Restricted Definitive Security to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Security, then, upon receipt by the Securities Registrar of the following documentation:

(A) if the Holder of such Restricted Definitive Security proposes to exchange such Designated Security for a beneficial interest in a Restricted Global Security, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Security is being transferred to a QIB in accordance with Rule 144A, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such Restricted Definitive Security is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such Restricted Definitive Security is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such Restricted Definitive Security is being transferred to the Issuer or any of its Restricted Subsidiaries, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(F) if such Restricted Definitive Security is being transferred pursuant to an effective registration statement under the Securities Act, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cancel the Restricted Definitive Security, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the

applicable Restricted Global Security, in the case of clause (B) above, the applicable 144A Global Security, and in the case of clause (C) above, the applicable Regulation S Global Security.

(ii) Restricted Definitive Securities to Beneficial Interests in Unrestricted Global Securities. A Holder of a Restricted Definitive Security may exchange such Designated Security for a beneficial interest in an Unrestricted Global Security or transfer such Restricted Definitive Security to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security only if the Securities Registrar receives the following:

(A) if the Holder of such Definitive Securities proposes to exchange such Designated Securities for a beneficial interest in the Unrestricted Global Security, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(B) if the Holder of such Definitive Securities proposes to transfer such Designated Securities to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Security, a certificate from such Holder substantially in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subsection (A) or (B) above, if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.9(d)(ii), the Trustee shall cancel the Definitive Securities and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Security.

(iii) Unrestricted Definitive Securities to Beneficial Interests in Unrestricted Global Securities. A Holder of an Unrestricted Definitive Security may exchange such Designated Security for a beneficial interest in an Unrestricted Global Security or transfer such Definitive Securities to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security at any time. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the applicable Unrestricted Definitive Security and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Securities.

If any such exchange or transfer from a Definitive Security to a beneficial interest is effected pursuant to clauses (ii) or (iii) above at a time when an Unrestricted Global Security has not yet been issued, the Issuer shall issue and, upon receipt of a Company Order in accordance with Section 3.3 of the Original Indenture, the Trustee shall authenticate one or more Unrestricted Global Securities in an aggregate principal amount equal to the principal amount of Definitive Securities so transferred.

(e) Transfer and Exchange of Definitive Securities for Definitive Securities. Upon request by a Holder of Definitive Securities and such Holder's compliance with the provisions of this Section 2.9(e), the Securities Registrar shall register the transfer or exchange of Definitive Securities. Prior to such registration of transfer or exchange, the requesting Holder shall present or surrender to the Securities Registrar the Definitive Securities duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Securities Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.9(e):

(i) Restricted Definitive Securities to Restricted Definitive Securities. Any Restricted Definitive Security may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Security if the Securities Registrar receives the following:

(A) if the transfer will be made to a QIB in accordance with Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; or

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications required by item (3) thereof, if applicable.

(ii) Restricted Definitive Securities to Unrestricted Definitive Securities. Any Restricted Definitive Security may be exchanged by the Holder thereof for an Unrestricted Definitive Security or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Security if the Securities Registrar receives the following:

(A) if the Holder of such Restricted Definitive Securities proposes to exchange such Designated Securities for an Unrestricted Definitive Security, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(B) if the Holder of such Restricted Definitive Securities proposes to transfer such Designated Securities to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Security, a certificate from such Holder substantially in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subsection (A) or (B) above, if the Securities Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(iii) Unrestricted Definitive Securities to Unrestricted Definitive Securities. A Holder of Unrestricted Definitive Securities may transfer such Designated Securities to a Person who takes delivery thereof in the form of an Unrestricted Definitive Security. Upon receipt of a request to register such a transfer, the Securities Registrar shall register the Unrestricted Definitive Securities pursuant to the instructions from the Holder thereof.

(f) Legends. The following legends shall appear on the face of all Global Securities and Definitive Securities issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture:

(i) Private Placement Legend.

(A) Except as permitted by subparagraph (B) below, each Global Security and each Definitive Security (and all Designated Securities issued in exchange therefor or substitution therefor) shall bear the legend in substantially the following form:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN

RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT WITHIN ONE YEAR AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE NARRAGANSETT ELECTRIC COMPANY OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT, AN "ACCREDITED INVESTOR") THAT, PRIOR TO SUCH TRANSFER, FURNISHES (OR HAS FURNISHED ON ITS BEHALF BY A U.S. BROKER-DEALER) TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE FOR THIS SECURITY), (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE NARRAGANSETT ELECTRIC COMPANY SO REQUESTS), OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF THE SECURITY EVIDENCED HEREBY. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN ONE YEAR AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY, IF THE PROPOSED TRANSFEREE IS AN ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND THE NARRAGANSETT ELECTRIC

COMPANY SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS ANY OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATIONS UNDER THE SECURITIES ACT."

(B) Notwithstanding the foregoing, any Global Security or Definitive Security issued pursuant to subparagraph (b)(iv), (c)(iii), (c)(iv), (d)(ii), (d)(iii), (e)(ii) or (e)(iii) of this Section 2.9 (and all Designated Securities issued in exchange therefor or substitution thereof) shall not bear the Private Placement Legend.

(ii) Global Security Legend. Each Global Security shall bear a legend in substantially the following form:

"THIS GLOBAL SECURITY IS HELD BY THE DEPOSITORY (AS DEFINED IN THE INDENTURE GOVERNING THIS SECURITY) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.9(g) OF THE SUPPLEMENTAL INDENTURE, (II) THIS GLOBAL SECURITY MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.9(a) OF THE SUPPLEMENTAL INDENTURE, (III) THIS GLOBAL SECURITY MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 3.9 OF THE ORIGINAL INDENTURE AND (IV) THIS GLOBAL SECURITY MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITORY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUER.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY

TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”) TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.”

(iii) Regulation S Temporary Global Security Legend. The Regulation S Temporary Global Security shall bear a legend in substantially the following form:

“BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON, NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON, AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.”

(g) Cancellation and/or Adjustment of Global Securities. At such time as all beneficial interests in a particular Global Security have been exchanged for Definitive Securities or a particular Global Security has been redeemed, repurchased or canceled in whole and not in part, each such Global Security shall be returned to or retained and canceled by the Trustee in accordance with Section 3.9 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Security is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security or for Definitive Securities, the principal amount of Securities represented by such Global Security shall be reduced accordingly and an endorsement shall be made on such Global Security by the Trustee or by the Depository at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security, such other Global Security shall be increased accordingly and an endorsement shall be made on such Global Security by the Trustee or by the Depository at the direction of the Trustee to reflect such increase.

(h) Automatic Exchange from Restricted Global Security to Unrestricted Global Security. At the option of the Issuer and upon compliance with the following procedures, beneficial interests in a Restricted Global Security shall be exchanged for beneficial interests in an Unrestricted Global Security. In order to

effect such exchange, the Issuer shall provide written notice to the Trustee instructing the Trustee to (i) direct the Depository to transfer the specified amount of the outstanding beneficial interests in a particular Restricted Global Security to an Unrestricted Global Security and provide the Depository with all such information as is necessary for the Depository to appropriately credit and debit the relevant Holder accounts and (ii) provide prior written notice to all Holders of such exchange, which notice must include the date such exchange is proposed to occur, the CUSIP number of the relevant Restricted Global Security and the CUSIP number of the Unrestricted Global Security into which such Holders' beneficial interests will be exchanged. As a condition to any such exchange pursuant to this Section 2.9(h), the Trustee shall be entitled to receive from the Issuer, and rely conclusively without any liability, upon an Officer's Certificate and an Opinion of Counsel to the Issuer, in form and in substance reasonably satisfactory to the Trustee, to the effect that such transfer of beneficial interests to the Unrestricted Global Security shall be effected in compliance with the Securities Act. The Issuer may request from Holders such information it reasonably determines is required in order to be able to deliver such Officer's Certificate and Opinion of Counsel. Upon such exchange of beneficial interests pursuant to this Section 2.9(h), the Securities Registrar shall reflect on its books and records the date of such transfer and a decrease and increase, respectively, in the principal amount of the applicable Restricted Global Securities and the Unrestricted Global Securities, respectively, equal to the principal amount of beneficial interests transferred. Following any such transfer pursuant to this Section 2.9(h) of all of the beneficial interests in a Restricted Global Security, such Restricted Global Security shall be cancelled.

(i) Transfers of Securities Held by Affiliates. Any certificate (i) evidencing a Designated Security that has been transferred to an affiliate (as defined in Rule 405 of the Securities Act) of the Issuer, as evidenced by a notation on the certificate of transfer and certificate of exchange for such transfer or in the representation letter delivered in respect thereof or (ii) evidencing a Designated Security that has been acquired from an affiliate (other than by an affiliate) in a transaction or a chain of transactions not involving any public offering, shall, until one year after the last date on which either the Issuer or any affiliate of the Issuer was an owner of such Designated Security, in each case, be in the form of a permanent definitive security and bear the private placement legend subject to the restrictions in this Section 2.9. The Securities Registrar shall retain copies of all letters, notices and other written communications received pursuant to this Section 2.9. The Issuer, at its sole cost and expense, shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable advance written notice to the Trustee.

IN WITNESS WHEREOF, each of the parties hereto has caused this Supplemental Indenture to be duly executed on its behalf as of the date first above written.

THE NARRAGANSETT ELECTRIC COMPANY,
as Issuer

By: M.C. Coxy
Name: Malcolm Cooper
Title: Treasurer

Signed for and on behalf of
THE BANK OF NEW YORK MELLON,
as Trustee and Paying Agent

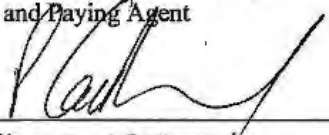
By: _____
Name:
Title:

IN WITNESS WHEREOF, each of the parties hereto has caused this Supplemental Indenture to be duly executed on its behalf as of the date first above written.

THE NARRAGANSETT ELECTRIC COMPANY,
as Issuer

By: _____
Name: Malcolm Cooper
Title: Treasurer

Signed for and on behalf of
THE BANK OF NEW YORK MELLON,
as Trustee and Paying Agent

By:  _____
Name: Paul Cattermole
Title: Vice President

FORM DESIGNATED SECURITY

[Face of Designated Security]

[Insert Global Security Legend, if applicable pursuant to the provisions of the Supplemental Indenture.]

[Insert Private Placement Legend, if applicable pursuant to the provisions of the Supplemental Indenture.]

[Insert Regulation S Temporary Global Security Legend, if applicable pursuant to the provisions of the Supplemental Indenture.]

CUSIP []]
ISIN []]

THE NARRAGANSETT ELECTRIC COMPANY

4.534% Senior Notes due 2020

No. _____

[\$ _____]

THE NARRAGANSETT ELECTRIC COMPANY, a Rhode Island company (the "Issuer"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum [of \$ _____] [set forth on the Schedule of Exchanges of Interests in the Global Security attached hereto] on March 15, 2020 and to pay interest thereon from March 22, 2010 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on March 15 and September 15 of each year, commencing September 15, 2010, at the rate of 4.534% per annum until Maturity, and at Maturity.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Except as described below for the first Interest Payment Date, on each Interest Payment Date, the Issuer will pay interest on the Designated Securities for the period commencing on and including the immediately preceding Interest Payment Date and ending on and excluding such Interest Payment Date. On the first Interest Payment Date, the Issuer will pay interest for the period commencing on and including the Issue Date and ending on and excluding the first Interest Payment Date. If any Interest Payment Date falls on a day that is not a Business Day, the interest payment shall be postponed to the next day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day. If the Maturity of any Designated Security is not a Business Day, payment of principal, premium, if any, and interest on the applicable Designated Security will be made on the next succeeding day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name the Designated Securities represented hereby (or one or more Predecessor Securities) are registered at the close of business on the Regular Record Date for such Interest Payment Date, which shall be the March 1 or September 1, as the case may be, preceding the applicable Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name the Designated Securities represented hereby (or one or more Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by or on behalf of the Company, notice whereof shall be given to Holders of Designated Securities not less than 15 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Designated Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

The Bank of New York Mellon shall initially act as Trustee and as Paying Agent with respect to the Designated Securities.

Reference is hereby made to the further provisions of the Designated Securities set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee, directly or through an Authenticating Agent, by manual signature of an authorized signatory, the Designated Securities represented hereby shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed manually or in facsimile.

Dated: THE NARRAGANSETT ELECTRIC COMPANY

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

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

Dated:

Signed for and on behalf of
The Bank of New York Mellon,
as Trustee

By: _____
Authorized Signatory

[Reverse of Designated Security]

THE NARRAGANSETT ELECTRIC COMPANY

This Designated Security represents a duly authorized issue of 4.534% Senior Notes due 2020 (the “**Designated Securities**”), issued under an Indenture, dated as of March 22, 2010 (the “**Original Indenture**”), between the Issuer and The Bank of New York Mellon, as Trustee (the “**Trustee**,” which term includes any successor trustee under the Indenture), as supplemented with respect to the Designated Securities by the First Supplemental Indenture, dated as of March 22, 2010, between the Issuer and The Bank of New York Mellon, as Trustee and Paying Agent (together with the Original Indenture, the “**Indenture**”). Reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Issuer, the Trustee and the Holders of the Designated Securities and of the terms upon which the Designated Securities are, and are to be, authenticated and delivered.

At any time and from time to time, the Issuer may redeem all or a part of the Designated Securities, upon not less than 30 nor more than 60 days’ prior notice mailed by first-class mail to the registered address of each Holder of Designated Securities or otherwise in accordance with the procedures of the Depository, at a Redemption Price equal to the greater of (1) 100% of the principal amount of the Designated Securities redeemed and (2) the present value at such Redemption Date of (i) the principal amount of such Designated Securities on the Redemption Date, plus (ii) all required interest payments due on such Designated Securities through March 15, 2020, computed using a discount rate equal to the Treasury Rate determined on the third Business Day preceding the date notice of such optional redemption is to be given plus 15 basis points, plus, in each case, accrued and unpaid interest, if any, to the Redemption Date, subject to the rights of Holders of Designated Securities on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date.

“**Treasury Rate**” means, as of any Redemption Date, the yield to maturity as of such Redemption Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Redemption Date to March 15, 2020; provided, however, that if the period from the Redemption Date to March 15, 2020 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

If an Event of Default with respect to the Designated Securities shall occur and be continuing, principal of, premium, if any, and accrued but unpaid interest on the Designated Securities may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the

Issuer and the Trustee with the consent of the Holders of a majority in principal amount of the securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of the Designated Securities represented by this Designated Security shall be conclusive and binding upon such Holder and upon all future Holders of the Designated Securities represented by this Designated Security and of the Designated Securities represented by any Designated Security issued upon the registration of transfer of the Designated Securities represented by this Designated Security or in exchange thereof or in lieu thereof, whether or not notation of such consent or waiver is made upon this Designated Security.

No reference herein to the Indenture and no provision of the Designated Securities or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of, premium, if any, and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal or premium or any overdue interest, on the Designated Securities at the rate or rates herein prescribed.

As provided in the Indenture, the Issuer shall cause to be kept at the Corporate Trust Office of the Trustee a Register in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Designated Securities and of transfers of Designated Securities.

No service charge shall be made for any such registration of transfer or exchange, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange, other than as set forth in the Indenture.

Prior to due presentment of this Designated Security for registration of transfer of any Designated Security represented hereby, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Designated Security is registered as the owner of this Designated Security for the purpose of receiving payment of principal of and any premium and (subject to Section 3.8 of the Original Indenture) any interest on such Security and for all other purposes whatsoever, whether or not this Designated Security be overdue, and neither the Issuer, the Trustee nor any agent of the Issuer or the Trustee shall be affected by notice to the contrary.

THE INDENTURE AND THE DESIGNATED SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

All capitalized terms used herein which are not otherwise defined herein shall have the meanings assigned to them in the Indenture.

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL SECURITY¹

The initial outstanding principal amount of this Global Security is \$ _____ . The following exchanges of a part of this Global Security for an interest in another Global Security or for a Definitive Security, or exchanges of a part of another Global or Definitive Security for an interest in this Global Security, have been made:

<u>Date of Exchange</u>	<u>Amount of decrease in Principal Amount</u>	<u>Amount of increase in Principal Amount of this Global Note</u>	<u>Principal Amount of this Global Note following each decrease or increase</u>	<u>Signature of authorized officer of Trustee or Custodian</u>
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¹ This schedule should be included only if the Designated Security is issued in global form.

FORM OF CERTIFICATE OF TRANSFER

c/o The Narragansett Electric Company
 280 Melrose Street
 Providence, Rhode Island 02907
 Attention: Treasurer

The Bank of New York Mellon
 Corporate Trust Services
 One Canada Square
 London E14 5AL
 United Kingdom
 Facsimile No.: +44-(0)20-7964-2536
 Attention: Corporate Trust Services

Re: 4.534% Senior Notes due 2020

Reference is hereby made to the Indenture, dated as of March 22, 2010, between The Narragansett Electric Company and the Trustee, as supplemented by the First Supplemental Indenture, dated as of March 22, 2010, between The Narragansett Electric Company and the Trustee (the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____ (the "Transferor") owns and proposes to transfer the Designated Securities or interests in such Designated Securities specified in Annex A hereto, in the principal amount of \$ _____ in such Designated Securities or interests (the "Transfer"), to _____ (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. **Check if Transferee will take delivery of a beneficial interest in the 144A Global Security or a Definitive Security pursuant to Rule 144A.** The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Security is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Definitive Security for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States.

2. **Check if Transferee will take delivery of a beneficial interest in the Regulation S Global Security or a Definitive Security pursuant to Regulation S.** The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the

Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will be subject to the restrictions on Transfer enumerated in the Indenture and the Securities Act.

3. **Check and complete if Transferee will take delivery of a beneficial interest in the Definitive Security pursuant to any provision of the Securities Act other than Rule 144A or Regulation S.** The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Securities and Restricted Definitive Securities and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

OR

(b) such Transfer is being effected to the Issuer or a subsidiary thereof;

OR

(c) such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act.

4. **Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Security or of an Unrestricted Definitive Security.**

(a) **Check if Transfer is Pursuant to Rule 144.** (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will no longer be subject to the restrictions on

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transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities, on Restricted Definitive Securities and in the Indenture.

(b) **Check if Transfer is Pursuant to Regulation S.** (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities, on Restricted Definitive Securities and in the Indenture.

(c) **Check if Transfer is Pursuant to Other Exemption.** (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities or Restricted Definitive Securities and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer.

[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

- (a) a beneficial interest in the:
- (i) 144A Global Security (CUSIP [] []), or
 - (ii) Regulation S Global Security (CUSIP [] []), or
- (b) a Restricted Definitive Security.
2. After the Transfer the Transferee will hold:

[CHECK ONE]

- (a) a beneficial interest in the:
- (i) 144A Global Security (CUSIP [] []), or
 - (ii) Regulation S Global Security (CUSIP [] []), or
 - (iii) Unrestricted Global Security (CUSIP [] []);
- or
- (b) a Restricted Definitive Security; or
- (c) an Unrestricted Definitive Security, in accordance with the terms of the Indenture.

FORM OF CERTIFICATE OF EXCHANGE

c/o The Narragansett Electric Company
 280 Melrose Street
 Providence, Rhode Island 02907
 Attention: Treasurer

The Bank of New York Mellon
 Corporate Trust Services
 One Canada Square
 London E14 5AL
 United Kingdom
 Facsimile No.: +44-(0)20-7964-2536
 Attention: Corporate Trust Services

Re: 4.534% Senior Notes due 2020

Reference is hereby made to the Indenture, dated as of March 22, 2010, between The Narragansett Electric Company and the Trustee, as supplemented by the First Supplemental Indenture, dated as of March 22, 2010, between The Narragansett Electric Company and the Trustee (the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____ (the "Owner") owns and proposes to exchange the Designated Securities or interests in such Designated Securities specified herein, in the principal amount of \$ _____ in such Designated Securities or interests (the "Exchange"). In connection with the Exchange, the Owner hereby certifies that:

1. **Exchange of Restricted Definitive Securities or Beneficial Interests in a Restricted Global Security for Unrestricted Definitive Securities or Beneficial Interests in an Unrestricted Global Security.**

(a) **Check if Exchange is from beneficial interest in a Restricted Global Security to beneficial interest in an Unrestricted Global Security.** In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Security for a beneficial interest in an Unrestricted Global Security in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Security and pursuant to and in accordance with the United States Securities Act of 1933, as amended (the "Securities Act"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) **Check if Exchange is from beneficial interest in a Restricted Global Security to Unrestricted Definitive Security.** In connection with the Exchange of the

Owner's beneficial interest in a Restricted Global Security for an Unrestricted Definitive Security, the Owner hereby certifies (i) the Definitive Security is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) **Check if Exchange is from Restricted Definitive Security to beneficial interest in an Unrestricted Global Security.** In connection with the Owner's Exchange of a Restricted Definitive Security for a beneficial interest in an Unrestricted Global Security, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) **Check if Exchange is from Restricted Definitive Security to Unrestricted Definitive Security.** In connection with the Owner's Exchange of a Restricted Definitive Security for an Unrestricted Definitive Security, the Owner hereby certifies (i) the Unrestricted Definitive Security is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. **Exchange of Restricted Definitive Securities or Beneficial Interests in Restricted Global Securities for Restricted Definitive Securities or Beneficial Interests in Restricted Global Securities.**

(a) **Check if Exchange is from beneficial interest in a Restricted Global Security to Restricted Definitive Security.** In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Security for a Restricted Definitive Security with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Security is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Security issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Security and in the Indenture and the Securities Act.

(b) **Check if Exchange is from Restricted Definitive Security to beneficial interest in a Restricted Global Security.** In connection with the Exchange of the

Owner's Restricted Definitive Security for a beneficial interest in the [CHECK ONE] 144A Global Security Regulation S Global Security, with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Securities and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Security and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and are dated _____.

[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____

THIRD SUPPLEMENTAL INDENTURE

December 10, 2012

between

THE NARRAGANSETT ELECTRIC COMPANY,
as Issuer

and

THE BANK OF NEW YORK MELLON,
as Trustee and Paying Agent

\$250,000,000

4.170% Senior Notes Due 2042

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This Third Supplemental Indenture, dated as of December 10, 2012, between The Narragansett Electric Company, a Rhode Island company (the "Issuer"), and The Bank of New York Mellon, a New York banking corporation duly organized and existing under the laws of the State of New York, as trustee (the "Trustee") and paying agent (the "Paying Agent").

Whereas:

- (A) the Issuer has heretofore entered into an Indenture, dated as of March 22, 2010 (the "Original Indenture"), with the Trustee;
- (B) the Original Indenture, as supplemented by this Supplemental Indenture, is herein called the "Indenture";
- (C) pursuant to Section 3.1 of the Original Indenture, the Issuer proposes to create a new series of Securities under the Indenture;
- (D) the Issuer hereby resolves to issue Designated Securities (as such term is defined in Section 2.1 hereof) in an aggregate principal amount of \$250,000,000 and with the terms and conditions set forth in this Supplemental Indenture; and
- (E) all things necessary to make this Supplemental Indenture a valid agreement of the Issuer, in accordance with its terms, have been done;

Now, Therefore, for and in consideration of the premises and the purchases of the Designated Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of Designated Securities, as follows:

ARTICLE I DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions

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

- (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (b) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
- (c) unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or a Section, as the case may be, of this Supplemental Indenture;
- (d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision; and
- (e) all terms used but not defined in this Supplemental Indenture, which are defined in the Original Indenture, shall have the meanings assigned to them in the Original Indenture.

"Additional Designated Securities" has the meaning ascribed in Section 2.2.

"Applicable Procedures" means, with respect to any transfer or exchange of or for beneficial interests in any Global Security, the rules and procedures of the Depository, Euroclear and/or Clearstream that apply to such transfer or exchange.

"Business Day" means each day which is not a Legal Holiday.

"Clearstream" means Clearstream Banking, Société Anonyme, and its successors.

"Definitive Security" means a certificated Designated Security registered in the name of the Holder thereof and issued in accordance with Section 2.9 hereof, substantially in the form of Exhibit A hereto, except that such Designated Security shall not bear the Global Security Legend and shall not have the "Schedule of Exchanges of Interests in the Global Security" attached thereto.

"Depository" means The Depository Trust Company and its successors.

"Designated Securities" has the meaning ascribed in Section 2.1.

"Euroclear" means Euroclear Bank, S.A./N.V., as operator of the Euroclear system.

"Global Security Legend" means the legend set forth in Section 2.9(f)(ii) hereof, which is required to be placed on all Global Securities issued under this Supplemental Indenture.

"Global Securities" means, individually and collectively, each of the Restricted Global Securities and the Unrestricted Global Securities deposited with or on behalf of and registered in the name of the Depository or its nominee, substantially in the form of Exhibit A hereto, and that bears the Global Security Legend and that has the "Schedule of Exchanges of Interests in the Global Security" attached thereto, issued in accordance with the Indenture.

"Indirect Participant" means a Person who holds a beneficial interest in a Global Security through a Participant.

"Initial Designated Securities" has the meaning ascribed in Section 2.2.

"Interest Payment Date" has the meaning ascribed in Section 2.4(b).

"Issue Date" means December 10, 2012.

"Legal Holiday" means a Saturday, a Sunday or a day on which commercial banking institutions are not required to be open in the State of New York.

"Non-U.S. Person" means a Person who is not a U.S. Person.

"Participant" means, with respect to the Depository, Euroclear or Clearstream, a Person who has an account with the Depository, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

"Private Placement Legend" means the legend set forth in Section 2.09(f)(i) hereof.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Regular Record Date" means, with respect to the applicable Interest Payment Date, the close of business on the preceding May 31 or November 30, as the case may be.

"Regulation S" means Regulation S promulgated under the Securities Act.

"Regulation S Global Security" means a Regulation S Temporary Global Security or Regulation S Permanent Global Security, as appropriate.

"Regulation S Permanent Global Security" means a permanent Global Security in the form of Exhibit A hereto, bearing the Global Security Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depository or its nominee, issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Security upon expiration of the Restricted Period.

"Regulation S Temporary Global Security" means a temporary Global Security in the form of Exhibit A hereto, bearing the Global Security Legend, the Private Placement Legend and the Regulation S Temporary Global Security Legend and deposited with or on behalf of and registered in the name of the Depository or its nominee, issued in a denomination equal to the outstanding principal amount of the Designated Securities initially sold in reliance on Rule 903.

"Regulation S Temporary Global Security Legend" means the legend set forth in Section 2.09(f)(iii) hereof.

"Restricted Definitive Security" means a Definitive Security bearing the Private Placement Legend.

"Restricted Global Security" means a Global Security bearing the Private Placement Legend.

"Restricted Period" means the 40-day distribution compliance period as defined in Regulation S.

"Rule 144" means Rule 144 promulgated under the Securities Act.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"Rule 903" means Rule 903 promulgated under the Securities Act.

"Rule 904" means Rule 904 promulgated under the Securities Act.

"Stated Maturity" means December 10, 2042.

"Supplemental Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended in accordance with the terms of the Indenture.

"Unrestricted Definitive Security" means one or more Definitive Securities that do not bear and are not required to bear the Private Placement Legend.

"Unrestricted Global Security" means a permanent Global Security, substantially in the form of Exhibit A attached hereto, that bears the Global Security Legend and that has the "Schedule of Exchanges of Interests in the Global Security" attached thereto, and that is deposited with or on behalf of and registered in the name of the Depository, representing Global Securities that do not bear and are not required to bear the Private Placement Legend.

"U.S. Person" means a U.S. person as defined in Rule 902(k) promulgated under the Securities Act.

Section 1.2 Conflict with Trust Indenture Act

If and to the extent that any provision of this Supplemental Indenture limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under the Trust Indenture Act to be a part of and govern this Supplemental Indenture, the latter provision shall control. If any provision of this Supplemental Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the former provision shall control.

Section 1.3 Effect of Headings and Table of Contents

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

Section 1.4 Successors and Assigns

All covenants and agreements in this Supplemental Indenture by the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 1.5 Separability Clause

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

Section 1.6 Benefits of Supplemental Indenture

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

Section 1.7 Governing Law

This Supplemental Indenture and the Designated Securities shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 1.8 Execution in Counterparts

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

Section 1.9 Recitals by the Issuer

The recitals in this Supplemental Indenture are made by the Issuer only and not by the Trustee, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of the Designated Securities and of this Supplemental Indenture as fully and with like effect as if set forth herein in full.

Section 1.10 Ratification and Incorporation of Original Indenture

As supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture and this Supplemental Indenture shall be read, taken and construed as one and the same instrument.

ARTICLE II
DESIGNATED SECURITIES

Section 2.1 Creation of Designated Securities

There is hereby created a new series of Securities to be issued under the Indenture, to be designated as "4.170% Senior Notes due 2042" (the "Designated Securities").

Section 2.2 Aggregate Principal Amount of Designated Securities

The aggregate principal amount of the Designated Securities shall initially be limited to \$250,000,000 (except for Designated Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Designated Securities pursuant to Section 3.6, 3.7, 3.10 or 10.6 of the Original Indenture and except for any Designated Securities which, pursuant to Section 3.3 of the Original Indenture, are deemed never to have been authenticated and delivered under the Indenture) (the "Initial Designated Securities"). The Issuer may create and issue an unlimited amount of additional Designated Securities from time to time, without notice to or the consent of the Holders of Designated Securities, having the same terms and conditions in all material respects as the Initial Designated Securities ("Additional Designated Securities"). Any Additional Designated Securities shall be consolidated with and form a single class with the Initial Designated Securities and have the same terms as to status, redemption or otherwise as the Initial Designated Securities. Any Additional Designated Securities issued with the same CUSIP, ISIN or other identifying number as that of the Initial Designated Securities shall be issued with no more than a de minimis amount of original issue discount, or as part of a qualified reopening, in each case for U.S. federal income tax purposes. Unless the context otherwise requires, references to "Designated Securities" for all purposes of this Supplemental Indenture include the Initial Designated Securities and any Additional Designated Securities actually issued.

Section 2.3 Payment of Principal

The principal of the Outstanding Designated Securities shall be due and payable at the Stated Maturity.

Section 2.4 Interest and Interest Rate

- (a) The Designated Securities will bear interest at 4.170% per annum from the Issue Date until Maturity.
- (b) The Issuer will pay interest on the Designated Securities semi-annually in arrears on June 10 and December 10 of each year, commencing June 10, 2013, until Maturity, and at Maturity (each an "Interest Payment Date").
- (c) Interest on the Designated Securities will be computed on the basis of a 360-day year comprised of twelve 30-day months. Except as described below for the first Interest Payment Date, on each Interest Payment Date, the Issuer will pay interest on the Designated Securities for the period commencing on and including the immediately preceding Interest Payment Date and ending on and excluding such Interest Payment Date.
- (d) On the first Interest Payment Date, the Issuer will pay interest for the period commencing on and including the Issue Date and ending on and excluding the first Interest Payment Date.

- (e) If any Interest Payment Date falls on a day that is not a Business Day, the interest payment shall be postponed to the next day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.
- (f) If the Maturity of any Designated Security is not a Business Day, payment of principal, premium, if any, and interest on the applicable Designated Security will be made on the next succeeding day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.
- (g) Interest on each Designated Security will be paid only to the Person in whose name such Designated Security was registered at the close of business on the Regular Record Date for the applicable Interest Payment Date.

Section 2.5 Paying Agent

- (a) Upon the terms and subject to the conditions contained herein, the Issuer hereby appoints The Bank of New York Mellon as the initial Paying Agent under the Indenture for the purpose of performing the functions of the Paying Agent with respect to the Designated Securities.
- (b) The Paying Agent shall exercise due care in performing the functions of the Paying Agent for the Designated Securities.
- (c) The Paying Agent accepts its obligations set forth herein, upon the terms and subject to the conditions hereof, including the following, to all of which the Issuer agrees:
 - (i) The Paying Agent shall be entitled to such compensation as may be agreed in writing with the Issuer for all services rendered by the Paying Agent, and the Issuer promises to pay such compensation and to reimburse the Paying Agent for the reasonable out-of-pocket expenses (including reasonable counsel fees and expenses) properly incurred by it in connection with the services rendered by it hereunder upon receipt of such invoices as the Issuer shall reasonably require. The Issuer agrees to indemnify the Paying Agent (which for purposes of this subsection shall include its directors, officers, employees and agents) for, and to hold it harmless against, any and all loss, liability, damage, claims or reasonable expenses (including the costs and expenses of defending against any claim of liability) properly incurred by the Paying Agent that arises out of or in connection with its acting as Paying Agent hereunder, except such as may result from the negligence, willful misconduct or bad faith of the Paying Agent or any of its agents or employees. The Paying Agent shall incur no liability and shall be indemnified and held harmless by the Issuer for, or in respect of, any action taken or omitted by it in good faith in reliance upon written instructions from the Issuer. The provisions of this paragraph shall survive the termination of this Supplemental Indenture and the resignation or removal of the Paying Agent.
 - (ii) In acting under the Indenture and in connection with the Designated Securities, the Paying Agent is acting solely as agent of the Issuer and does not assume any obligations to, or relationship of agency or trust for or with, any of the Holders of the Designated Securities.

- (iii) The Paying Agent shall be protected and shall incur no liability for or in respect of any action taken or omitted to be taken or anything suffered by it in reliance upon the terms of the Designated Securities or any document, including any resolution, Officer's Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon or security (whether in original or facsimile form), believed by it to be genuine and to have been signed or presented by the proper party or parties.
 - (iv) The duties and obligations of the Paying Agent shall be determined solely by the express provisions of the Indenture, and the Paying Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Paying Agent.
 - (v) Unless herein otherwise specifically provided, any request, direction, order or demand of the Issuer mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed).
 - (vi) The Paying Agent may, upon obtaining the prior written consent of the Issuer (which consent shall not be unreasonably withheld) perform any duties hereunder either directly or by or through agents or attorneys not regularly in its employ, and the Paying Agent shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder.
 - (vii) Sections 7.2(c), 7.2(e), 7.2(i) and 7.2(j) of the Original Indenture are also deemed applicable to the Paying Agent.
 - (viii) None of the provisions hereunder shall require the Paying Agent to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.
 - (ix) In no event shall the Paying Agent be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused by, directly or indirectly, forces beyond its reasonable control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services; it being understood that the Paying Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.
- (d) (i) The Paying Agent may at any time resign as Paying Agent by giving written notice to the Issuer of such intention on its part, specifying the date on which its desired resignation shall become effective; provided, however, that such date shall not be earlier

than 60 days after the receipt of such notice by the Issuer, unless the Issuer agrees in writing to accept less notice. The Paying Agent may be removed (with or without cause) at any time by the filing with it of any instrument in writing signed on behalf of the Issuer by any proper officer or an authorized person thereof and specifying such removal and the date when it is intended to become effective (such date shall not be earlier than 60 days after the receipt of such instrument by the Paying Agent, unless otherwise agreed by the parties), subject to (if such Paying Agent is not also the Trustee) the written consent of the Trustee, which consent shall not be unreasonably withheld. Notwithstanding the provisions of this Section 2.5(d)(i), such resignation or removal shall take effect only upon the date of the appointment by the Issuer, as hereinafter provided, and the acceptance thereof, of a successor Paying Agent. If within 30 days after notice of resignation or removal has been received, a successor Paying Agent has not been appointed, the Paying Agent may petition a court of competent jurisdiction to appoint a successor Paying Agent at the Issuer's cost, as per Section 2.5(c)(i) hereof. A successor Paying Agent shall be appointed by the Issuer by an instrument in writing signed on behalf of the Issuer by any proper officer or an authorized person thereof and the successor Paying Agent. Upon the appointment of a successor Paying Agent and acceptance by it of such appointment, the Paying Agent so succeeded shall cease to be such Paying Agent hereunder. Upon its resignation or removal, the Paying Agent shall be entitled to the payment by the Issuer of its compensation, if any is owed to it, for services rendered hereunder and to the reimbursement of all reasonable and properly incurred out-of-pocket expenses incurred in connection with the services rendered by it hereunder, in each case as per Section 2.5(c)(i) hereof.

- (ii) Any successor Paying Agent appointed hereunder shall execute and deliver to its predecessor and to the Issuer an instrument accepting such appointment hereunder, and thereupon such successor Paying Agent, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of such predecessor with like effect as if originally named as such Paying Agent hereunder, and such predecessor, upon payment by the Issuer of its charges and disbursements then unpaid, shall thereupon become obliged to transfer and deliver, and such successor Paying Agent shall be entitled to receive, copies of any relevant records maintained by such predecessor Paying Agent.
- (iii) Any Person into which the Paying Agent may be merged or converted or with which the Paying Agent may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Paying Agent shall be a party, or any Person succeeding to all or substantially all of the assets and business of the Paying Agent, or all or substantially all of the corporate trust business of the Paying Agent shall, to the extent permitted by applicable law and provided that it shall have an established place of business in New York, New York, be the successor Paying Agent under the Indenture without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notice of any such merger, conversion, consolidation or sale shall be given to the Issuer as promptly as practicable following such merger, conversion, consolidation or sale.

- (iv) Any notice required to be given by the Paying Agent to any other Person hereunder shall be given in accordance with Section 13.5 of the Original Indenture. Any notice to be given to the Paying Agent shall be delivered in person, sent by first class mail or overnight air courier guaranteeing next day delivery or communicated by facsimile, to the following address (or to any other address of which the Paying Agent shall have notified the Issuer in writing): The Bank of New York Mellon, Corporate Trust Services, One Canada Square, London E14 5AL, United Kingdom, Fax: +44 (0) 20-7964-2536, Attention: Corporate Trust Services, with a copy to: The Bank of New York Mellon, Global Trust Services, 101 Barclay Street, New York, New York, Fax: +1 (212) 815-5366. All notices shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five calendar days after being deposited in the mail, postage prepaid, if mailed by first-class mail; when receipt acknowledged, if faxed; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Section 2.6 Place of Payment

The place or places where, subject to the provisions of Section 4.2 of the Original Indenture, the principal of, premium, if any, and interest, if any, on the Designated Securities shall be payable, Designated Securities may be surrendered for registration, transfer or exchange and notices and demands to or upon the Issuer in respect of the Designated Securities and the Indenture may be served shall be the Corporate Trust Office of the Trustee in the United States.

Section 2.7 Denominations

The Designated Securities shall be issued in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Section 2.8 Form; Terms

- (a) The Designated Securities shall be substantially in the form of Exhibit A. The Designated Securities may have notations, legends or endorsements required by law, stock exchange rules or usage.
- (b) Designated Securities issued in global form shall be substantially in the form of Exhibit A (including the Global Security Legend thereon and the "Schedule of Exchanges of Interests in the Global Security" attached thereto). Designated Securities issued in definitive form shall be substantially in the form of Exhibit A attached hereto (but without, in each case, the Global Security Legend thereon and without the "Schedule of Exchanges of Interests in the Global Security" attached thereto). Each Global Security shall represent such of the outstanding Designated Securities as shall be specified in the "Schedule of Exchanges of Interests in the Global Security" attached thereto and each shall provide that it shall represent up to the aggregate principal amount of Designated Securities from time to time endorsed thereon and that the aggregate principal amount of outstanding Designated Securities represented thereby may from time to time be reduced or increased, as applicable, to reflect exchanges and redemptions. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Designated

Securities represented thereby shall be made by the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.9 hereof.

- (c) Designated Securities offered and sold in reliance on Regulation S shall be issued initially in the form of the Regulation S Temporary Global Security, which shall be deposited on behalf of the purchasers of the Designated Securities represented thereby with the Trustee, as custodian for the Depository, and registered in the name of the Depository or the nominee of the Depository for the accounts of designated agents holding on behalf of Euroclear or Clearstream, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The Restricted Period shall be terminated upon the receipt by the Trustee of:
- (i) a written certificate from the Depository (if available), together with copies of certificates from Euroclear and Clearstream (if available) certifying that they have received certification of non-United States beneficial ownership of 100% of the aggregate principal amount of each Regulation S Temporary Global Security (except to the extent of any beneficial owners thereof who acquired an interest therein during the Restricted Period pursuant to another exemption from registration under the Securities Act and who shall take delivery of a beneficial ownership interest in a 144A Global Security bearing a Private Placement Legend, all as contemplated by Section 2.9(b) hereof); and
 - (ii) an Officer's Certificate from the Issuer.

Following the termination of the Restricted Period, beneficial interests in each Regulation S Temporary Global Security shall be exchanged for beneficial interests in the Regulation S Permanent Global Security of the same series pursuant to the Applicable Procedures. Simultaneously with the authentication of the corresponding Regulation S Permanent Global Security, the Trustee shall cancel the corresponding Regulation S Temporary Global Security. The aggregate principal amount of a Regulation S Temporary Global Security and the Regulation S Permanent Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository or its nominee, as the case may be, in connection with transfers of interest as hereinafter provided.

- (d) The terms and provisions contained in the Designated Securities shall constitute, and are hereby expressly made, a part of the Indenture, and the Issuer and the Trustee, by their execution and delivery of this Supplemental Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Designated Security conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.
- (e) The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "General Terms and Conditions of Clearstream Banking" and "Customer Handbook" of Clearstream shall be applicable to transfers of beneficial interests in the Regulation S Temporary Global Security and the Regulation S Permanent Global Securities that are held by Participants through Euroclear or Clearstream.

Section 2.9 Transfer and Exchange

The transfer or exchange of Designated Securities shall be effected in accordance with Section 3.6 of the Original Indenture and this Section 2.9.

- (a) **Transfer and Exchange of Global Securities** Except as otherwise set forth in this Section 2.9, a Global Security may be transferred, in whole and not in part, only to another nominee of the Depository or to a successor Depository or a nominee of such successor Depository. A beneficial interest in a Global Security may not be exchanged for a Definitive Security unless (i) the Depository (x) notifies the Issuer that it is unwilling or unable to continue as Depository for such Global Security or (y) has ceased to be a clearing agency registered under the Exchange Act and, in either case, a successor Depository is not appointed by the Issuer within 120 days or (ii) there shall have occurred and be continuing an Event of Default with respect to the Designated Securities. Upon the occurrence of any of the preceding events in (i) or (ii) above, Definitive Securities delivered in exchange for any Global Security or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the Depository (in accordance with its customary procedures). Global Securities also may be exchanged or replaced, in whole or in part, as provided in Sections 3.7 and 3.10 of the Original Indenture. Every Designated Security authenticated and delivered in exchange for, or in lieu of, a Global Security or any portion thereof, pursuant to this Section 2.9 or Sections 3.7 or 3.10 of the Original Indenture, shall be authenticated and delivered in the form of, and shall be, a Global Security, except for Definitive Securities issued subsequent to any of the preceding events in (i) or (ii) above and pursuant to Section 2.9(c) hereof. A Global Security may not be exchanged for another Designated Security other than as provided in this Section 2.9(a); provided, however, beneficial interests in a Global Security may be transferred and exchanged as provided in Section 2.9(b), (c) or (d) hereof.
- (b) **Transfer and Exchange of Beneficial Interests in the Global Securities** The transfer and exchange of beneficial interests in the Global Securities shall be effected through the Depository, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Securities shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Securities also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:
 - (i) **Transfer of Beneficial Interests in the Same Global Security** Beneficial interests in any Restricted Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Security in accordance with the transfer restrictions set forth in the Private Placement Legend; provided, however, that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Regulation S Temporary Global Security may not be made to a U.S. Person or for the account or benefit of a U.S. Person. Beneficial interests in any Unrestricted Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Security. No written orders or instructions shall

be required to be delivered to the Securities Registrar to effect the transfers described in this Section 2.9(b)(i).

- (ii) **All Other Transfers and Exchanges of Beneficial Interests in Global Securities** In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.9(b)(i) hereof, the transferor of such beneficial interest must deliver to the Securities Registrar either (A) both (1) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to credit or cause to be credited a beneficial interest in another Global Security in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B) both (1) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to cause to be issued a Definitive Security of the same series in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depository to the Securities Registrar containing information regarding the Person in whose name such Definitive Security shall be registered to effect the transfer or exchange referred to in (1) above; provided that in no event shall Definitive Securities be issued upon the transfer or exchange of beneficial interests in the Regulation S Temporary Global Security prior to (A) the expiration of the Restricted Period and (B) the receipt by the Securities Registrar of any certificates required pursuant to Rule 903. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Securities contained in this Indenture and the Designated Securities or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Securities pursuant to Section 2.9(g) hereof.
- (iii) **Transfer of Beneficial Interests to Another Restricted Global Security** A beneficial interest in any Restricted Global Security may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Security if the transfer complies with the requirements of Section 2.9(b)(ii) hereof and the Securities Registrar receives the following:
 - (A) if the transferee will take delivery in the form of a beneficial interest in a 144A Global Security, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; or
 - (B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Security, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.
- (iv) **Transfer and Exchange of Beneficial Interests in a Restricted Global Security for Beneficial Interests in an Unrestricted Global Security** A beneficial interest in any Restricted Global Security may be exchanged by any

holder thereof for a beneficial interest in an Unrestricted Global Security or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security if the exchange or transfer complies with the requirements of Section 2.9(b)(ii) hereof the Securities Registrar receives the following:

- (A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Security of the same series, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or
- (B) if the holder of such beneficial interest in a Restricted Global Security proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Security of the same series, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in subparagraph (A) or (B), if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to clause (iv) above at a time when an Unrestricted Global Security has not yet been issued, the Issuer shall issue and, upon receipt of a Company Order in accordance with Section 3.3 of the Original Indenture, the Trustee shall authenticate one or more Unrestricted Global Securities in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (A) or (B) above.

Beneficial interests in an Unrestricted Global Security cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Security.

- (c) **Transfer or Exchange of Beneficial Interests for Definitive Securities**
 - (i) **Beneficial Interests in Restricted Global Securities to Restricted Definitive Securities** If any holder of a beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a Restricted Definitive Security or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Security, then, upon the occurrence of any of the events in paragraph (i) or (ii) of Section 2.9(a) hereof and receipt by the Securities Registrar of the following documentation:
 - (A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a Restricted Definitive Security, a certificate from such holder substantially in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

- (B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (1) thereof;
- (C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (2) thereof;
- (D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(a) thereof;
- (E) if such beneficial interest is being transferred to the Issuer or any of its Restricted Subsidiaries, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(b) thereof; or
- (F) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Security to be reduced accordingly pursuant to Section 2.9(g) hereof, and the Issuer shall execute and the Trustee shall authenticate and mail to the Person designated in the instructions a Definitive Security in the applicable principal amount. Any Definitive Security issued in exchange for a beneficial interest in a Restricted Global Security pursuant to this Section 2.9(c)(i) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Securities Registrar through instructions from the Depository and the Participant or Indirect Participant. The Trustee shall mail such Definitive Securities to the Persons in whose names such Designated Securities are so registered at the address appearing in the Securities Register. Any Definitive Security issued in exchange for a beneficial interest in a Restricted Global Security pursuant to this Section 2.9(c)(i) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

- (ii) **Beneficial Interests in Regulation S Temporary Global Security to Definitive Securities** Notwithstanding Sections 2.9(c)(i)(A) and (C) hereof, a beneficial interest in the Regulation S Temporary Global Security may not be exchanged for a Definitive Security or transferred to a Person who takes delivery thereof in the form of a Definitive Security prior to (A) the expiration of the Restricted Period and (B) the receipt by the Securities Registrar of any certificates required pursuant to Rule 903 of the Securities Act, except in the case of a transfer pursuant to an exemption from the registration requirements of the Securities Act other than Rule 903 or Rule 904.

- (iii) **Beneficial Interests in Restricted Global Securities to Unrestricted Definitive Securities** A holder of a beneficial interest in a Restricted Global Security may exchange such beneficial interest for an Unrestricted Definitive Security or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Security only upon the occurrence of any of the events in subsection (i) or (ii) of Section 2.9(a) hereof and if the Securities Registrar receives the following:
 - (A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for an Unrestricted Definitive Security, a certificate from such holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or
 - (B) if the holder of such beneficial interest in a Restricted Global Security proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Security, a certificate from such holder substantially in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (A) or (B) above, if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

- (iv) **Beneficial Interests in Unrestricted Global Securities to Unrestricted Definitive Securities** If any holder of a beneficial interest in an Unrestricted Global Security proposes to exchange such beneficial interest for a Definitive Security or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Security, then, upon the occurrence of any of the events in subsection (i) or (ii) of Section 2.9(a) hereof and satisfaction of the conditions set forth in Section 2.9(b)(ii) hereof, the Trustee shall cause the aggregate principal amount of the applicable Global Security to be reduced accordingly pursuant to Section 2.9(g) hereof, and the Issuer shall execute and the Trustee shall authenticate and mail to the Person designated in the instructions a Definitive Security in the applicable principal amount. Any Definitive Security issued in exchange for a beneficial interest pursuant to this Section 2.9(c)(iv) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Securities Registrar through instructions from or through the Depository and the Participant or Indirect Participant. The Trustee shall mail such Definitive Securities to the Persons in whose names such Securities are so registered. Any Definitive Security issued in exchange for a beneficial interest pursuant to this Section 2.9(c)(iv) shall not bear the Private Placement Legend.

- (d) **Transfer and Exchange of Definitive Securities for Beneficial Interests**

- (i) **Restricted Definitive Securities to Beneficial Interests in Restricted Global Securities** If any Holder of a Restricted Definitive Security proposes to exchange such Designated Security for a beneficial interest in a Restricted Global Security or to transfer such Restricted Definitive Security to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Security, then, upon receipt by the Securities Registrar of the following documentation:
- (A) if the Holder of such Restricted Definitive Security proposes to exchange such Designated Security for a beneficial interest in a Restricted Global Security, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;
 - (B) if such Restricted Definitive Security is being transferred to a QIB in accordance with Rule 144A, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (1) thereof;
 - (C) if such Restricted Definitive Security is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (2) thereof;
 - (D) if such Restricted Definitive Security is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(a) thereof;
 - (E) if such Restricted Definitive Security is being transferred to the Issuer or any of its Restricted Subsidiaries, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(b) thereof; or
 - (F) if such Restricted Definitive Security is being transferred pursuant to an effective registration statement under the Securities Act, a certificate substantially in the form of Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cancel the Restricted Definitive Security, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the applicable Restricted Global Security, in the case of clause (B) above, the applicable 144A Global Security, and in the case of clause (C) above, the applicable Regulation S Global Security.

- (ii) **Restricted Definitive Securities to Beneficial Interests in Unrestricted Global Securities** A Holder of a Restricted Definitive Security may exchange such Designated Security for a beneficial interest in an Unrestricted Global Security or transfer such Restricted Definitive Security to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security only if the Securities Registrar receives the following:

- (A) if the Holder of such Definitive Securities proposes to exchange such Designated Securities for a beneficial interest in the Unrestricted Global Security, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or
- (B) if the Holder of such Definitive Securities proposes to transfer such Designated Securities to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Security, a certificate from such Holder substantially in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subsection (A) or (B) above, if the Securities Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.9(d)(ii), the Trustee shall cancel the Definitive Securities and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Security.

- (iii) **Unrestricted Definitive Securities to Beneficial Interests in Unrestricted Global Securities** A Holder of an Unrestricted Definitive Security may exchange such Designated Security for a beneficial interest in an Unrestricted Global Security or transfer such Definitive Securities to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security at any time. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the applicable Unrestricted Definitive Security and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Securities.

If any such exchange or transfer from a Definitive Security to a beneficial interest is effected pursuant to clauses (ii) or (iii) above at a time when an Unrestricted Global Security has not yet been issued, the Issuer shall issue and, upon receipt of a Company Order in accordance with Section 3.3 of the Original Indenture, the Trustee shall authenticate one or more Unrestricted Global Securities in an aggregate principal amount equal to the principal amount of Definitive Securities so transferred.

- (e) **Transfer and Exchange of Definitive Securities for Definitive Securities** Upon request by a Holder of Definitive Securities and such Holder's compliance with the provisions of this Section 2.9(e), the Securities Registrar shall register the transfer or exchange of Definitive Securities. Prior to such registration of transfer or exchange, the requesting Holder shall present or surrender to the Securities Registrar the Definitive Securities duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Securities Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.9(e):

- (i) **Restricted Definitive Securities to Restricted Definitive Securities** Any Restricted Definitive Security may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Security if the Securities Registrar receives the following:
 - (A) if the transfer will be made to a QIB in accordance with Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;
 - (B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; or
 - (C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications required by item (3) thereof, if applicable.

 - (ii) **Restricted Definitive Securities to Unrestricted Definitive Securities** Any Restricted Definitive Security may be exchanged by the Holder thereof for an Unrestricted Definitive Security or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Security if the Securities Registrar receives the following:
 - (A) if the Holder of such Restricted Definitive Securities proposes to exchange such Designated Securities for an Unrestricted Definitive Security, a certificate from such Holder substantially in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or
 - (B) if the Holder of such Restricted Definitive Securities proposes to transfer such Designated Securities to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Security, a certificate from such Holder substantially in the form of Exhibit B hereto, including the certifications in item (4) thereof;
- and, in each such case set forth in this subsection (A) or (B) above, if the Securities Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Securities Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.
- (iii) **Unrestricted Definitive Securities to Unrestricted Definitive Securities** A Holder of Unrestricted Definitive Securities may transfer such Designated Securities to a Person who takes delivery thereof in the form of an Unrestricted Definitive Security. Upon receipt of a request to register such a transfer, the Securities Registrar shall register the Unrestricted Definitive Securities pursuant to the instructions from the Holder thereof.

(f) Legends The following legends shall appear on the face of all Global Securities and Definitive Securities issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture:

(i) Private Placement Legend

(A) Except as permitted by subparagraph (B) below, each Global Security and each Definitive Security (and all Designated Securities issued in exchange therefor or substitution therefor) shall bear the legend in substantially the following form:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT WITHIN ONE YEAR AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE NARRAGANSETT ELECTRIC COMPANY OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT, AN "ACCREDITED INVESTOR") THAT, PRIOR TO SUCH TRANSFER, FURNISHES (OR HAS FURNISHED ON ITS BEHALF BY A U.S. BROKER-DEALER) TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE FOR THIS SECURITY), (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE NARRAGANSETT ELECTRIC COMPANY SO REQUESTS), OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND

(3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF THE SECURITY EVIDENCED HEREBY. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN ONE YEAR AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY, IF THE PROPOSED TRANSFEREE IS AN ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND THE NARRAGANSETT ELECTRIC COMPANY SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS ANY OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATIONS UNDER THE SECURITIES ACT."

- (B) Notwithstanding the foregoing, any Global Security or Definitive Security issued pursuant to subparagraph (b)(iv), (c)(iii), (c)(iv), (d)(ii), (d)(iii), (e)(ii) or (e)(iii) of this Section 2.9 (and all Designated Securities issued in exchange therefor or substitution thereof) shall not bear the Private Placement Legend.
- (ii) Global Security Legend Each Global Security shall bear a legend in substantially the following form:

"THIS GLOBAL SECURITY IS HELD BY THE DEPOSITORY (AS DEFINED IN THE INDENTURE GOVERNING THIS SECURITY) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.9(g) OF THE SUPPLEMENTAL INDENTURE, (II) THIS GLOBAL SECURITY MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.9(a) OF THE SUPPLEMENTAL INDENTURE, (III) THIS GLOBAL SECURITY MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 3.9 OF THE ORIGINAL INDENTURE AND (IV) THIS GLOBAL SECURITY MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITORY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUER.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A

SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

- (iii) Regulation S Temporary Global Security Legend The Regulation S Temporary Global Security shall bear a legend in substantially the following form:

"BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON, NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON, AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT."

- (g) Cancellation and/or Adjustment of Global Securities At such time as all beneficial interests in a particular Global Security have been exchanged for Definitive Securities or a particular Global Security has been redeemed, repurchased or canceled in whole and not in part, each such Global Security shall be returned to or retained and canceled by the Trustee in accordance with Section 3.9 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Security is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security or for Definitive Securities, the principal amount of Securities represented by such Global Security shall be reduced accordingly and an endorsement shall be made on such Global Security by the Trustee or by the Depository at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security, such other Global Security shall be increased accordingly and an endorsement shall be made on such Global Security by the Trustee or by the Depository at the direction of the Trustee to reflect such increase.
- (h) Automatic Exchange from Restricted Global Security to Unrestricted Global Security At the option of the Issuer and upon compliance with the following procedures, beneficial interests in a Restricted Global Security shall be exchanged for beneficial interests in an Unrestricted Global Security. In order to effect such exchange, the Issuer shall provide written notice to the Trustee instructing the Trustee to (i) direct the Depository to transfer the specified amount of the outstanding beneficial interests in a particular Restricted Global Security to an Unrestricted Global Security and provide the Depository with all such information as is necessary for the Depository to appropriately

credit and debit the relevant Holder accounts and (ii) provide prior written notice to all Holders of such exchange, which notice must include the date such exchange is proposed to occur, the CUSIP number of the relevant Restricted Global Security and the CUSIP number of the Unrestricted Global Security into which such Holders' beneficial interests will be exchanged. As a condition to any such exchange pursuant to this Section 2.9(h), the Trustee shall be entitled to receive from the Issuer, and rely conclusively without any liability, upon an Officer's Certificate and an Opinion of Counsel to the Issuer, in form and in substance reasonably satisfactory to the Trustee, to the effect that such transfer of beneficial interests to the Unrestricted Global Security shall be effected in compliance with the Securities Act. The Issuer may request from Holders such information it reasonably determines is required in order to be able to deliver such Officer's Certificate and Opinion of Counsel. Upon such exchange of beneficial interests pursuant to this Section 2.9(h), the Securities Registrar shall reflect on its books and records the date of such transfer and a decrease and increase, respectively, in the principal amount of the applicable Restricted Global Securities and the Unrestricted Global Securities, respectively, equal to the principal amount of beneficial interests transferred. Following any such transfer pursuant to this Section 2.9(h) of all of the beneficial interests in a Restricted Global Security, such Restricted Global Security shall be cancelled.

- (i) **Transfers of Securities Held by Affiliates** Any certificate (i) evidencing a Designated Security that has been transferred to an affiliate (as defined in Rule 405 of the Securities Act) of the Issuer, as evidenced by a notation on the certificate of transfer and certificate of exchange for such transfer or in the representation letter delivered in respect thereof or (ii) evidencing a Designated Security that has been acquired from an affiliate (other than by an affiliate) in a transaction or a chain of transactions not involving any public offering, shall, until one year after the last date on which either the Issuer or any affiliate of the Issuer was an owner of such Designated Security, in each case, be in the form of a permanent definitive security and bear the private placement legend subject to the restrictions in this Section 2.9. The Securities Registrar shall retain copies of all letters, notices and other written communications received pursuant to this Section 2.9. The Issuer, at its sole cost and expense, shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable advance written notice to the Trustee.

In witness whereof, each of the parties hereto has caused this Supplemental Indenture to be duly executed on its behalf as of the date first above written.

THE NARRAGANSETT ELECTRIC COMPANY,
as Issuer

By: M. C. Cooper
Name: *M. COOPER*
Title: *Assistant Treasurer*

THE BANK OF NEW YORK MELLON,
as Trustee and Paying Agent

By: _____
Name:
Title:

[Signature Page to the Third Supplemental Indenture]

In witness whereof, each of the parties hereto has caused this Supplemental Indenture to be duly executed on its behalf as of the date first above written.

THE NARRAGANSETT ELECTRIC COMPANY,
as Issuer

By: _____
Name:
Title:

THE BANK OF NEW YORK MELLON,
as Trustee and Paying Agent

By: _____
Name: **Marco Thuo**
Title: **Vice President**

[Signature Page to the Third Supplemental Indenture]

Exhibit A
Form Designated Security

[Face of Designated Security]

[Insert Global Security Legend, if applicable pursuant to the provisions of the Supplemental Indenture.]

[Insert Private Placement Legend, if applicable pursuant to the provisions of the Supplemental Indenture.]

[Insert Regulation S Temporary Global Security Legend, if applicable pursuant to the provisions of the Supplemental Indenture.]

CUSIP: [●]

ISIN: [●]

THE NARRAGANSETT ELECTRIC COMPANY

4.170% Senior Notes due 2042

No. ____ [\$ _____]

THE NARRAGANSETT ELECTRIC COMPANY, a Rhode Island company (the "Issuer"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum [of \$ _____] [set forth on the Schedule of Exchanges of Interests in the Global Security attached hereto] on December 10, 2042 and to pay interest thereon from December 10, 2012 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on June 10 and December 10 of each year, commencing June 10, 2013, at the rate of 4.170% per annum until Maturity, and at Maturity.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Except as described below for the first Interest Payment Date, on each Interest Payment Date, the Issuer will pay interest on the Designated Securities for the period commencing on and including the immediately preceding Interest Payment Date and ending on and excluding such Interest Payment Date. On the first Interest Payment Date, the Issuer will pay interest for the period commencing on and including the Issue Date and ending on and excluding the first Interest Payment Date. If any Interest Payment Date falls on a day that is not a Business Day, the interest payment shall be postponed to the next day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day. If the Maturity of any Designated Security is not a Business Day, payment of principal, premium, if any, and interest on the applicable Designated Security will be made on the next succeeding day that is a Business Day, without interest accruing on the amount then so payable from such day that is not a Business Day until such Business Day.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name the Designated Securities represented hereby (or one or more Predecessor Securities) are registered at the close of business on the Regular Record Date for such Interest Payment Date, which shall be the May 31 or November 30, as the case may be, preceding the applicable Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name the Designated Securities represented hereby (or one or more Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by or on behalf of the Company, notice whereof shall be given to Holders of Designated Securities not less than 15 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Designated Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

The Bank of New York Mellon shall initially act as Trustee and as Paying Agent with respect to the Designated Securities.

Reference is hereby made to the further provisions of the Designated Securities set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee, directly or through an Authenticating Agent, by manual signature of an authorized signatory, the Designated Securities represented hereby shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

In witness whereof, the Issuer has caused this instrument to be duly executed manually or in facsimile.

Dated:

THE NARRAGANSETT ELECTRIC COMPANY

By: _____

Name:

Title:

CERTIFICATE OF AUTHENTICATION

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

Dated: December 10, 2012

THE BANK OF NEW YORK MELLON,
as Trustee

By: _____
Authorized Signatory

[Reverse of Designated Security]

THE NARRAGANSETT ELECTRIC COMPANY

This Designated Security represents a duly authorized issue of 4.170% Senior Notes due 2042 (the "Designated Securities"), issued under an Indenture, dated as of March 22, 2010 (the "Original Indenture"), between the Issuer and The Bank of New York Mellon, as Trustee (the "Trustee," which term includes any successor trustee under the Indenture), as supplemented with respect to the Designated Securities by the Third Supplemental Indenture, dated as of December 10, 2012, between the Issuer and The Bank of New York Mellon, as Trustee and Paying Agent (together with the Original Indenture, the "Indenture"). Reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Issuer, the Trustee and the Holders of the Designated Securities and of the terms upon which the Designated Securities are, and are to be, authenticated and delivered.

At any time and from time to time, the Issuer may redeem all or a part of the Designated Securities, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to the registered address of each Holder of Designated Securities or otherwise in accordance with the procedures of the Depository, at a Redemption Price equal to the greater of (1) 100% of the principal amount of the Designated Securities redeemed and (2) the present value at such Redemption Date of (i) the principal amount of such Designated Securities on the Redemption Date, plus (ii) all required interest payments due on such Designated Securities through December 10, 2042, computed using a discount rate equal to the Treasury Rate determined on the third Business Day preceding the date notice of such optional redemption is to be given plus 25 basis points, plus, in each case, accrued and unpaid interest, if any, to the Redemption Date, subject to the rights of Holders of Designated Securities on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date.

"Treasury Rate" means, as of any Redemption Date, the yield to maturity as of such Redemption Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Redemption Date to December 10, 2042; provided, however, that if the period from the Redemption Date to December 10, 2042 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

If an Event of Default with respect to the Designated Securities shall occur and be continuing, principal of, premium, if any, and accrued but unpaid interest on the Designated Securities may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Issuer and the Trustee with the consent of the Holders of a majority in principal amount of the securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of the Designated Securities represented by this Designated Security

shall be conclusive and binding upon such Holder and upon all future Holders of the Designated Securities represented by this Designated Security and of the Designated Securities represented by any Designated Security issued upon the registration of transfer of the Designated Securities represented by this Designated Security or in exchange thereof or in lieu thereof, whether or not notation of such consent or waiver is made upon this Designated Security.

No reference herein to the Indenture and no provision of the Designated Securities or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of, premium, if any, and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal or premium or any overdue interest, on the Designated Securities at the rate or rates herein prescribed.

As provided in the Indenture, the Issuer shall cause to be kept at the Corporate Trust Office of the Trustee a Register in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Designated Securities and of transfers of Designated Securities.

No service charge shall be made for any such registration of transfer or exchange, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange, other than as set forth in the Indenture.

Prior to due presentment of this Designated Security for registration of transfer of any Designated Security represented hereby, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Designated Security is registered as the owner of this Designated Security for the purpose of receiving payment of principal of and any premium and (subject to Section 3.8 of the Original Indenture) any interest on such Security and for all other purposes whatsoever, whether or not this Designated Security be overdue, and neither the Issuer, the Trustee nor any agent of the Issuer or the Trustee shall be affected by notice to the contrary.

THE INDENTURE AND THE DESIGNATED SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

All capitalized terms used herein which are not otherwise defined herein shall have the meanings assigned to them in the Indenture.

Schedule of Exchanges of Interests in the Global Security¹

The initial outstanding principal amount of this Global Security is \$_____. The following exchanges of a part of this Global Security for an interest in another Global Security or for a Definitive Security, or exchanges of a part of another Global or Definitive Security for an interest in this Global Security, have been made:

Date of Exchange	Amount of decrease in Principal Amount	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following each decrease or increase	Signature of authorized signatory of Trustee or Custodian

¹ This schedule should be included only if the Designated Security is issued in global form.

Exhibit B
Form of Certificate of Transfer

c/o The Narragansett Electric Company
280 Melrose Street
Providence, Rhode Island 02907
Attention: Treasurer

The Bank of New York Mellon
Corporate Trust Services
One Canada Square
London E14 5AL
United Kingdom
Facsimile No.: +44 (0) 20-7964-2536

Attention: Corporate Trust Services

Re: 4.170% Senior Notes due 2042

Reference is hereby made to the Indenture, dated as of March 22, 2010, between The Narragansett Electric Company and the Trustee, as supplemented by the Third Supplemental Indenture, dated as of December 10, 2012, between The Narragansett Electric Company and the Trustee (the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____ (the "Transferor") owns and proposes to transfer the Designated Securities or interests in such Designated Securities specified in Annex A hereto, in the principal amount of \$ _____ in such Designated Securities or interests (the "Transfer"), to _____ (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

- 1 Check if Transferee will take delivery of a beneficial interest in the 144A Global Security or a Definitive Security pursuant to Rule 144A. The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Security is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Definitive Security for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States.

- 2 Check if Transferee will take delivery of a beneficial interest in the Regulation S Global Security or a Definitive Security pursuant to Regulation S. The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (x) at the time the buy order was originated, the Transferee was

outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will be subject to the restrictions on Transfer enumerated in the Indenture and the Securities Act.

- 3 Check and complete if Transferee will take delivery of a beneficial interest in the Definitive Security pursuant to any provision of the Securities Act other than Rule 144A or Regulation S. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Securities and Restricted Definitive Securities and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

OR

(b) such Transfer is being effected to the Issuer or a subsidiary thereof;

OR

(c) such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act.

- 4 Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Security or of an Unrestricted Definitive Security.

(a) Check if Transfer is Pursuant to Rule 144. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities, on Restricted Definitive Securities and in the Indenture.

- (b) Check if Transfer is Pursuant to Regulation S. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities, on Restricted Definitive Securities and in the Indenture.
- (c) Check if Transfer is Pursuant to Other Exemption. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Security will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Securities or Restricted Definitive Securities and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer.

[Insert Name of Transferor]

By: _____

Name:

Title:

Dated: _____

Annex A to Certificate of Transfer

1 The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

- (a) a beneficial interest in the:
- (i) 144A Global Security (CUSIP [_____] [_____]), or
- (ii) Regulation S Global Security (CUSIP [_____] [_____]), or
- (b) a Restricted Definitive Security.

2 After the Transfer the Transferee will hold:

[CHECK ONE]

- (a) a beneficial interest in the:
- (i) 144A Global Security (CUSIP [_____] [_____]), or
- (ii) Regulation S Global Security (CUSIP [_____] [_____]),
or
- (iii) Unrestricted Global Security (CUSIP [_____] [_____]);
- or
- (b) a Restricted Definitive Security; or
- (c) an Unrestricted Definitive Security, in accordance with the terms of the Indenture.

Exhibit C
Form of Certificate of Exchange

c/o The Narragansett Electric Company
280 Melrose Street
Providence, Rhode Island 02907
Attention: Treasurer

The Bank of New York Mellon
Corporate Trust Services
One Canada Square
London E14 5AL
United Kingdom
Facsimile No.: +44 (0) 20-7964-2536
Attention: Corporate Trust Services

Re: 4.170% Senior Notes due 2042

Reference is hereby made to the Indenture, dated as of March 22, 2010, between The Narragansett Electric Company and the Trustee, as supplemented by the Third Supplemental Indenture, dated as of December 10, 2012, between The Narragansett Electric Company and the Trustee (the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____ (the "Owner") owns and proposes to exchange the Designated Securities or interests in such Designated Securities specified herein, in the principal amount of \$ _____ in such Designated Securities or interests (the "Exchange"). In connection with the Exchange, the Owner hereby certifies that:

1 Exchange of Restricted Definitive Securities or Beneficial Interests in a Restricted Global Security for Unrestricted Definitive Securities or Beneficial Interests in an Unrestricted Global Security

- (a) Check if Exchange is from beneficial interest in a Restricted Global Security to beneficial interest in an Unrestricted Global Security. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Security for a beneficial interest in an Unrestricted Global Security in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Security and pursuant to and in accordance with the United States Securities Act of 1933, as amended (the "Securities Act"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.
- (b) Check if Exchange is from beneficial interest in a Restricted Global Security to Unrestricted Definitive Security. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Security for an Unrestricted Definitive Security, the Owner hereby certifies (i) the Definitive Security is being acquired for the Owner's

own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) Check if Exchange is from Restricted Definitive Security to beneficial interest in an Unrestricted Global Security. In connection with the Owner's Exchange of a Restricted Definitive Security for a beneficial interest in an Unrestricted Global Security, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) Check if Exchange is from Restricted Definitive Security to Unrestricted Definitive Security. In connection with the Owner's Exchange of a Restricted Definitive Security for an Unrestricted Definitive Security, the Owner hereby certifies (i) the Unrestricted Definitive Security is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Securities and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Security is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2 Exchange of Restricted Definitive Securities or Beneficial Interests in Restricted Global Securities for Restricted Definitive Securities or Beneficial Interests in Restricted Global Securities

(a) Check if Exchange is from beneficial interest in a Restricted Global Security to Restricted Definitive Security. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Security for a Restricted Definitive Security with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Security is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Security issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Security and in the Indenture and the Securities Act.

(b) Check if Exchange is from Restricted Definitive Security to beneficial interest in a Restricted Global Security. In connection with the Exchange of the Owner's

Restricted Definitive Security for a beneficial interest in the [CHECK ONE] 144A Global Security Regulation S Global Security, with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Securities and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Security and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and are dated _____.

[Insert Name of Transferor]

By: _____

Name:

Title:

Dated: _____

**RHODE ISLAND ENERGY
RETIREMENT PLAN
(Established Effective January 14, 2022)**

310468743.12

Business Use

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ARTICLE I INTRODUCTION

- 1.1 Name. The Plan shall be known as the Rhode Island Energy Retirement Plan.
- 1.2 Purpose. The purpose of the Plan is to provide eligible Participants and their Spouses or Beneficiaries with periodic income after retirement in addition to benefits provided under the Federal Social Security Act.
- 1.3 History. This Plan is a spin-off of the National Grid USA Companies' Final Average Pay Pension Plan (the "Predecessor Plan"), and is established as a new plan in connection with PPL Corporation's acquisition of The Narragansett Electric Company. The effective date of the spin-off and the date this Plan is established is January 14, 2022. The Plan was established as of this 2022 spin-off date to duplicate the provisions of the Predecessor Plan. Assets and liabilities from the Predecessor Plan were allocated to the Plan to comply with the requirements of Code §401(a)(12), 414(l), ERISA §4044, and their attendant regulations. Thus the prior restatements and history of the Predecessor Plan also effectively serve as the prior restatements and history of the Plan. The Plan is intended to comply with all applicable laws, including ERISA and the Code, and regulations thereunder.
- 1.4 Classification. The Plan shall be treated as a single employer plan, and not as a multi-employer plan for all purposes under ERISA and the Code.

Any reference in this Plan to the interest rate under Code Section 417 shall be construed as a reference to the Applicable Interest Rate.

Applicable Mortality Table means the “applicable mortality table” prescribed by Code Section 417(e)(3) and implementing regulations and other guidance thereunder. The “applicable mortality table” is the mortality table prescribed by the Commissioner of the Internal Revenue Service for purposes of Code Section 417(e)(3)(B) (or a successor thereto) in revenue rulings, notices or other guidance published in the Internal Revenue Bulletin that applies to the Benefit Commencement Date.

Any reference in this Plan to the mortality table or assumption under Code Section 417 shall be construed as a reference to the Applicable Mortality Table.

Base Compensation means Compensation, but excluding overtime pay, premium pay, awards, bonuses of any type, and incentive compensation. provided, however, that effective January 1, 2011, “Base Compensation” for Nonunion Employees shall include overtime pay, shift differential pay, and incentive compensation.

Basic Retirement Amount means the amount determined in accordance with Section 6.1 or 6.2, whichever is applicable.

Beneficiary means the person or persons or other legal entity designated in a writing provided to the Administrator by a Participant to receive any benefits under this Plan payable upon the death of the Participant, other than as provided in Article VII and other than a Contingent Annuitant. All Beneficiary designations (and any changes thereto) shall be made on such form and in such manner as prescribed by the Administrator from time to time, and in accordance with such rules and procedures (including spousal consent requirements, if applicable) as are set forth under the terms of the Plan. If more than one person is designated as Beneficiary, each shall have an equal share unless the designation directs otherwise. Any designation, change or revocation shall be effective only if it is received by the Administrator before the death of the Participant. If no valid Beneficiary designation is on file with the Administrator at the time of the Participant’s death, or if no designated Beneficiary survives the Participant, the benefit shall be paid to the Participant’s surviving Spouse, if any; otherwise, the benefit shall be paid to the estate of the Participant. In the case of a Cash Balance Participant, Beneficiary status will be determined in conjunction with Section 18.5.

Benefits Commencement Date means the date as of which an annuity or lump sum becomes payable by election of the Participant in accordance with the terms of the Plan and written procedures of the Employee Benefit Plan Board (including the completion of such forms and the provision of such advance notice of benefit commencement as may be required under the aforementioned Plan terms or procedures) or such date as is otherwise required by Code section 401(a)(9) or 401(a)(14). It is intended that the Benefits Commencement Date shall be the Participant’s “annuity starting date” as defined in Code section 417(f)(2). The Benefits Commencement Date shall be the first day of a month subject to adjustment under Section 17.2. Notwithstanding the fact that the Benefits Commencement Date is as of the first of a month, the actual date that the annuity or lump sum is paid may occur after the payment processing is finalized following the Benefits Commencement Date. After initial processing, lump sum payments for

Cash Balance Participants and all payments for Union Employee members of Local 12431 will be made as of the last day of the month for which the payment is attributable, and annuity payments for all other Participants, including Cash Balance Participants, will be made as of the first day of the month for which the payment is attributable.

Board means the Board of Directors of PPL Services Corporation.

Break in Service means a period of 12 consecutive months beginning on the severance date determined under Section 4.6 if the Employee does not perform an Hour of Service within that 12-month period. A period during which the Employee is on leave pursuant to the Family and Medical Leave Act shall not count toward the 12-month period. Even if a Break in Service occurs, an Employee's prior service may be restored if the Employee again becomes a Cash Balance Participant under Section 18.3.

Cash Balance Benefit means a Cash Balance Employee's accrued benefit determined under Article XVIII.

Cash Balance Employee means an Employee who was a "Cash Balance Employee" (as defined in the National Grid Plan) under the National Grid Plan on the Closing Date.

Cash Balance Participant means a current or former Cash Balance Employee who participates in the Plan in accordance with Article III.

Closing Date means the date on which the closing of PPL Corporation's, or an Affiliated Company's, acquisition of all the outstanding shares of common stock in The Narragansett Electric Company takes place.

Code means the Internal Revenue Code of 1986, as amended from time to time.

Compensation means the base pay paid to an Employee by the Employer during each month within the sixty consecutive month period determined pursuant to the definition of "Final Average Compensation". Compensation for Employees shall also include National Grid USA Companies' Goals cash bonuses, annual bonuses, amounts paid through payroll during an authorized paid leave, and contributions made pursuant to salary reduction agreements to the National Grid USA Companies' Incentive Thrift Plan, the National Grid USA Companies' Elective Benefits Plan, any defined contribution plan sponsored by the Employer or an Affiliated Company, or any Code Section 125 plan sponsored by the Employer or an Affiliated Company, provided that:

(a) For Union Employees. With respect to periods during which an Employee is a Union Employee, Compensation shall also include: floor bonuses, performance based bonuses, salesman's commissions, guaranteed lump sum payments, and the product of the number of hours an Employee union representative spends on union business (not to exceed 40 hours in a given week) for which he or she is not otherwise compensated by his or her Employer multiplied by his or her straight hourly rate, provided said hours are documented to the Employer's satisfaction. However, Compensation shall exclude: overtime pay; premium pay; other bonuses; options; Employer contributions to the National Grid USA Companies' Incentive Thrift Plans or any other defined contribution plans not made

pursuant to a salary reduction agreement (meaning matching contributions); compensation deferred under other plans; reimbursement of expenses; payments made from the supplemental disability income program, or the short-term disability or long-term disability plans; Christmas remembrances; awards and other additional forms of earnings (including other contributions made by the Employer to or under any form of employee benefit program, including health insurance or severance pay).

(b) For Nonunion Employees. With respect to periods during which an Employee is a Nonunion Employee, Compensation also includes: overtime pay, premium pay, incentive compensation, merit lump sum payments made in lieu of base pay, and bonuses. Incentive compensation and bonuses that are not deferred are treated as Compensation for the month in which paid, while earnings deferred under another plan but paid to the Nonunion Employee from such other plan prior to the Termination Date are treated as Compensation for the month in which the amounts would have been paid if not deferred. However, Compensation shall exclude: Employer contributions to the National Grid USA Companies' Incentive Thrift Plans or any other defined contribution plans not made pursuant to a salary reduction agreement (meaning matching contributions); compensation deferred under other plans; reimbursement of expenses; payments made from the supplemental disability income program, or the short-term disability or long-term disability plans; Christmas remembrances; awards and other additional forms of earnings (including other contributions made by the Employer to or under any form of employee benefit program, including health insurance or severance pay); and shares allocated or actual shares granted under the National Grid USA Companies' Long-Term Performance Share Award Plan or the National Grid Transco PLC Performance Share Plan 2002 (or its successor plans), or any similar plan in which the Employee may participate.

Concurrent Retirement Benefits Date means for a Participant who is not a 5-percent owner (as defined in section 416(i)(1)(B) of the Code), the later of:

- (a) a Participant's Normal Retirement Date;
- (b) April 1 of the calendar year following the calendar year in which the Participant attains age 72 (age 70½ for a Participant born before July 1, 1949); or
- (c) April 1 of the calendar year following the calendar year in which the Participant retires.

A Participant who attains age 70½ during the calendar year of 1996, 1997, or 1998, continues to be an Employee, and would otherwise qualify for retirement benefits, shall have the option to receive retirement benefits as required and in accordance with section 401(a)(9) of the Code, the applicable Treasury Regulations, and Section 6.10, commencing on or after the date specified in (b), above. Five percent owners must begin receiving distributions no later than April 1 of the calendar year following the calendar year in which such a Participant attains age 70½ (age 72 for a Participant born on or after July 1, 1949); provided, however, that such a Participant shall have the option, to the extent required by law, to receive retirement benefits as required and in accordance with section 401(a)(9) of the Code, the applicable Treasury Regulations, and Section 6.10, commencing on April 1 of the calendar year following the calendar year in which such

Participant attains age 70½). Effective April 1, 2010, any Union Participant who continues to be an Employee after reaching April 1 of the calendar year following the calendar year in which he or she attains age 70½, and who would otherwise qualify for retirement benefits, shall have the option to receive retirement benefits as required and in accordance with section 401(a)(9) of the Code, the applicable Treasury Regulations, and Section 6.10, commencing on or after such date.

Contingent Annuitant means the person designated in accordance with Sections 6.3 or 9.1 to receive lifetime monthly benefit payments in the event of a Participant's death after commencement of the Participant's Retirement Income. The Contingent Annuitant shall normally be the Participant's Spouse, if any. A Contingent Annuitant other than the Spouse may be designated, in a writing provided in accordance with Sections 9.1 and 9.2 by the Participant to the Employer, if:

(a) the Participant is not married; provided, however, that if such Participant subsequently marries on or before the Benefits Commencement Date the Spouse shall automatically become the Contingent Annuitant absent a written consent pursuant to subsection (b) below; or

(b) the Participant's Spouse consents in writing to such designation and the consent acknowledges the effect of such designation and is witnessed by a notary public or a Plan representative.

Covered Compensation means the average of Social Security taxable wage bases for computing old age Social Security benefits in the 35 calendar years up to and including the Participant's Social Security retirement age.

Designated Employer means PPL. The Designated Employer shall conclusively be deemed the representative of the Employer hereunder, and any action permitted to or requested of the Employer which shall be taken by the Designated Employer shall, for the purposes of the Plan, be binding upon the Employer affected thereby. Upon written notice thereof filed with the Insurance Company and the Trustee, the Designated Employer may, as of a specified date subsequent to such filing thereof, designate in its place any of the Employer or any successor thereof to act thereafter as the Designated Employer for the purposes of the Plan.

Early Retirement Date means the date determined in accordance with Section 5.3.

Eligible Retired Medical Participant means a Participant who is a former Nonunion Employee:

- (a) with respect to whom a Termination Date has occurred;
- (b) who is eligible for retiree medical benefits under the Employer's retiree medical programs as in effect from time to time; and
- (c) is not a Key Employee.

Employee means any common law employee of the Employer (as reflected on the Employer's payroll records) other than: (a) an individual who is covered by a collective bargaining

agreement that does not provide for inclusion in the Plan; (b) any independent contractor and any individual paid or supplied by an agency or a party other than the Employer, such as a staffing company, temporary employment agency, temporary help service company, employee leasing organization, professional employment organization, or other third-party provider of labor (except this exclusion shall not apply to Union agents who participate pursuant to an agreement with the Employer); (c) interns (other than management interns), co-op students, or summer students, except in the event that such an individual is later hired as a regular full-time or part-time employee, in which case they shall be deemed an employee as of their original date of hire; (d) any "leased employee" within the meaning of Code section 414(n); and (e) a person who is neither a citizen nor a resident of the United States and who receives from the Employer no earned income (within the meaning of section 911(d)(2) of the Code) which constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code). Directors are not Employees merely by virtue of that office. The definitions and classifications herein shall apply notwithstanding any subsequent reclassification of an individual as an employee by a court, governmental agency, or settlement agreement.

Solely for purposes of discrimination testing pursuant to sections 401(a)(4) and 401(a)(26) of the Code, for the purposes of the minimum participation and coverage requirements of section 410 of the Code, for applying the vesting requirements of section 401(a)(7) of the Code, and for determining a Top Heavy Plan Year under the Plan, the term "Employee" shall include a "leased employee" as defined in section 414(n) of the Code and any other individuals who are required by law to be treated as employees for such purposes.

Notwithstanding anything herein to the contrary, the term "Employee" for purposes of eligibility to participate in the Plan shall specifically exclude any individual who was not employed by The Narragansett Electric Company and actively accruing a benefit in the National Grid Plan on the Closing Date; provided, however, an individual who is hired by an Employer from National Grid or an affiliate on or after the Closing Date and was actively accruing a benefit in the National Grid Plan on the date of their termination from National Grid or its affiliate, is an Employee.

Notwithstanding the foregoing, Employee includes any former employee of The Narragansett Electric Company who retired from The Narragansett Electric Company and who, as of Closing Date had an Accrued Benefit under the National Grid Plan.

Employee Benefit Plan Board or EBPB means the entity appointed by the Board as the fiduciary named to administer the Plan, as provided in Article XI.

Employer means The Narragansett Electric Company or an Affiliated Company.

ERISA means the Employee Retirement Income Security Act of 1974, as from time to time amended, and any regulations issued pursuant thereto.

FAPP I means the New England Electric System Companies' Final Average Pay Pension Plan I, as in effect on March 30, 2000.

FAPP II means the New England Electric System Companies' Final Average Pay Pension Plan II, as in effect on March 30, 2000.

Final Average Compensation means the highest average of the Participant's twelve-month Compensation during any consecutive sixty month period of employment (or during total employment if less than sixty months) within the last one hundred twenty months of employment; provided, however, that on or after April 1, 1994, no more than \$150,000 annually of Compensation as adjusted by the Secretary of the Treasury pursuant to section 401(a)(17) of the Code) shall be taken into account in computing Final Average Compensation; provided, however, that effective with the Plan Year beginning April 1, 2002, the compensation limit adjustment to \$200,000 (as adjusted) under section 401(a)(17) shall apply to pre-April 1, 2002 periods for Participants with Termination Dates on or after April 1, 2002. Any bonus paid (including any National Grid USA Goals cash bonuses or any contributions made by the Employer or any incentive compensation plan) following termination of employment shall not be included in Final Average Compensation. For the purpose of this definition, periods of time during which the Employee was on an approved leave of absence or was receiving supplemental disability income, short-term disability, or long-term disability payments shall be ignored for purposes of determining consecutive months of employment. Further, periods between January 1, 1998 and March 31, 2004 during which a Participant was a Northborough Noncontinuing Employee shall be ignored for all purposes under this definition.

401(h) Account means the account established in accordance with Section 18.1.

Funds means any and all cash, securities, and other property held on behalf of Participants by the Trustee under the Trust Agreement, parties so authorized by the Trust Agreement, and the Insurance Company.

High Five Year Compensation means the average of the Participant's Section 415 Compensation for those five consecutive Years of Service for Minimum Benefit Purposes (or if the Participant has less than five such years, then for his or her number of consecutive Years of Service for Minimum Benefit Purposes) for which his or her aggregate compensation is greatest. Any Plan Year which is not a Year of Service for Minimum Benefit Purposes shall be ignored in determining whether the Participant's Years of Service for Minimum Benefit Purposes are consecutive.

High Three Years means those three consecutive calendar years of employment with the Employer for which the Participant's Section 415 Compensation is greatest. If the Participant has not been employed for three consecutive calendar years, then his or her High Three Years shall be his or her actual consecutive calendar years of employment.

Highly Compensated Employee means with respect to any Plan Year, an Employee who:

(a) is a 5% owner, as defined in section 416(i)(1) of the Code either for the current Plan Year or the immediately preceding Plan Year; or

(b) (1) received more than \$130,000 (as indexed) in compensation (as defined in Code section 414(s)), in the immediately preceding Plan Year, from the Employer or an Affiliated Company; and (2) was among the top 20% of all employees of the Employer and Affiliated Companies ranked by compensation (as defined in Code section 414(s)), in the

immediately preceding Plan Year, (excluding employees described in section 414(q)(5) of the Code to the extent permitted under the Code and regulations thereunder).

Hour of Service means each hour accumulated by a Participant during a Plan Year pursuant to Sections 4.2, 4.3, or 4.4.

Insurance Company means any legal reserve life insurance company so designated by the Designated Employer.

Interest means the interest credited in accordance with the Group Annuity Contract to April 1, 1976, plus interest thereafter compounded annually at the rates of:

- (a) 5% per annum for Mandatory Employee Contributions, and
- (b) 2% per annum for employer contributions made on behalf of the Participant.

Investment Manager means a person:

- (a) who has the power to manage, acquire, or dispose of any of the Funds;
- (b) who (i) is registered as an investment advisor under the Investment Advisor's Act of 1940, (ii) is a bank, as defined in that Act, or (iii) is an Insurance Company; and
- (c) who has acknowledged in writing that he, she, or it is a fiduciary as defined in ERISA, with respect to the Plan.

Key Employee means any Employee or former Employee who at any time during a Plan Year is or was:

- (a) an officer of the Employer having annual compensation greater than \$130,000 (as adjusted under Code Section 416(i)); provided, however, that no more than 50 Employees or former Employees shall be treated as Key Employees solely by reason of being officers;
- (b) an owner of (or a person considered as owning within the meaning of section 416(i)(1) of the Code) more than five percent of the outstanding stock, or of the total combined voting power of all stock, of any of the Employer, PPL, or an Affiliated Company; or
- (c) an owner of (or a person considered as owning within the meaning of section 416(i)(1) of the Code) more than one percent of the outstanding stock, or of the total combined voting power of all stock, of any of the Employer, PPL, or an Affiliated Company, who had or has an annual compensation from the Employer in excess of \$150,000.

The determination of Key Employees shall be made and applied separately for those companies that are wholly owned subsidiaries of or affiliated or associated companies of the Designated Employer.

“Key Employee” shall include the Beneficiary of any deceased former Employee for the period that former Employee remains a Key Employee.

Mandatory Employee Contributions means contributions made by a Participant - and not by the Employer on behalf of the Participant - as a requirement for participation in any prior defined benefit plan maintained by the Employer.

Medical Benefits means benefits related to medical expenses as defined in section 213(d) of the Code (including without limitation premiums for sickness, accident, or hospitalization insurance, premiums paid to health maintenance organizations, payments for Medicare Part B reimbursement, or similar premiums and payments).

National Grid means National Grid USA Service Company and any of its affiliates or subsidiaries, as applicable.

National Grid Plan means the National Grid USA Companies’ Final Average Pay Pension Plan, as amended and restated as of April 1, 2020 and thereafter amended.

Nonunion Employee means any Employee who is not included in a unit of employees covered by a collective bargaining agreement.

Nonservice Year means a twelve month period in which a Participant accumulates less than 501 Hours of Service starting with the twelve month period ending on the first anniversary of the Participant’s date of hire and basing subsequent determinations on Plan Years beginning with the Plan Year which includes the first anniversary of the Participant’s date of hire.

Normal Retirement Date means the later of:

- (a) the first of the month coincident with or next following the date a Participant attains his or her 65th birthday; or
- (b) except in the case of a Cash Balance Participant, the first of the month coincident with or next following the date of the Participant’s fifth anniversary of the time the Participant commenced participation in the Plan if the Participant became an Employee or a Nonparticipating Employee after his or her 60th birthday.

Normal Retirement Income means the monthly pension benefit payable to a retired Employee commencing on his or her Normal Retirement Date and in the normal form of payment. In accordance with Code Section 411(a) and the Treasury Regulations issued thereunder, the Normal Retirement Income of a Participant shall not be less than the largest periodic benefit that would have been payable to the Participant upon separation from service at or prior to normal retirement age under the Plan exclusive of Social Security supplements, premiums on disability or term insurance, and the value of disability benefits not in excess of the normal retirement benefit, and disregarding any actuarial subsidies. For purposes of comparing periodic benefits in the same

form, commencing prior to and at normal retirement age, the greater benefit is determined by converting the benefit payable prior to normal retirement age into the same form of annuity benefit payable at normal retirement age and comparing the amount of such annuity payments.

Participant means any Employee or former Employee who participates in the Plan pursuant to Article III.

Plan means the Rhode Island Energy Retirement Plan, as amended from time to time.

Plan Year means a twelve-month period beginning on April 1 of any year.

PPL shall mean PPL Services Corporation and its successors.

Prior Plans means the documents listed in Appendix I and IA of the National Grid Plan.

Qualifying Hour has the meaning set forth in Section 4.2.

Retirement Income means the monthly benefit for which a Participant is eligible pursuant to Article V, calculated in accordance with Article VI.

Section 415 Compensation means "Compensation" used for purposes of applying the limitations on benefits under Section 415 of the Code as defined under Article XIX.

Social Security Amount means the estimated annual Primary Old Age Insurance Amount which the Participant would receive under the Federal Social Security Act as in effect on the Participant's Termination Date commencing on the first day of the month next following his or her Normal Retirement Date (or a later retirement date elected pursuant to Article V). The Social Security Amount shall be determined on the basis of earnings with the Employer only and shall be for purposes of subparagraph (a)(iii) of Section 6.2, based upon the assumption that the Participant will not receive, after any date of determination, any income that would be treated as wages for purposes of the Social Security Act. Once the Social Security Amount is determined for a Participant, it shall not be affected by changes thereafter in the Social Security Act.

Spouse means the person who is lawfully married to a Participant on the Participant's Benefit Commencement Date, or, if earlier, the person who is lawfully married to a Participant at the Participant's death, as determined under applicable federal law. Notwithstanding the foregoing, an individual will not be recognized as the Participant's Spouse if the Participant is legally separated from, or has been abandoned (within the meaning of local law) by him or her, as evidenced to the satisfaction of the Employee Benefit Plan Board.

Termination Date means, subject to Section 5.7, the date on which a Participant ceases to be in the employ of the Employer and any Affiliated Company.

Top Heavy Plan Year means a Plan Year, if as of the applicable determination date for such Plan Year,

(a) the sum of the present value of the total accrued benefits of all Key Employees under the Plan and each other defined benefit plan which is aggregated with this Plan, and

(b) the sum of the account balances of all Key Employees under each defined contribution plan which is aggregated with this Plan, exceeds 60 percent of the sum of such amounts for all Employees or former Employees (other than former Key Employees or Employees who have not performed services for the Employers at any time during the one-year period ending on the determination date) under such plans.

For purposes of this definition, the present value of any accrued benefit under a defined benefit plan, and the value of an account balance under a defined contribution plan, shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group. In the case of any distribution made for a reason other than severance from employment, death, or disability, the above shall be applied by substituting "5-year-period" for "1-year period." Amounts held under any plan as rollover contributions or as a result of a plan-to-plan transfer shall not be taken into account under such plan if such amounts were contributed or transferred to such plan subsequent to December 31, 1983, or were contributed at the instigation of the Employee and were transferred or distributed from a plan not maintained by an Employer. The present value of accrued benefits for purposes of this definition is calculated using an interest rate of 5.5%, the Applicable Mortality Table defined in this Article II and based on a benefit payable at normal retirement age (excluding any pre-retirement death and disability benefits). If the Plan is in an aggregation group that includes two or more defined benefit plans, these actuarial assumptions shall be used for purposes of Top Heavy testing with respect to all such plans.

For purposes of this definition, the term "determination date" means, with respect to the initial plan year of a plan, the last day of such plan year and, with respect to any other plan year of a plan, the last day of the preceding plan year of such plan. The "applicable determination date" means, with respect to the Plan, the determination date for the Plan Year of reference and, with respect to any other plan, the determination date for any plan year of such plan which falls within the same calendar year as the applicable determination date of the Plan. Accrued benefits or account balances under a plan will be determined as of the most recent valuation date in the 12-month period ending on the applicable determination date of the plan; provided, however, that in the case of a defined benefit plan such valuation date must be the same date as employed for minimum funding purposes and in the case of a defined contribution plan the value so determined will be adjusted for contributions made after the valuation date to the extent required by applicable Treasury Regulations.

For purposes of this definition, the accrued benefits of any Non-Key Employee shall be determined (i) under the method which is used for accrual purposes for all plans of the Employers, or (ii) if there is no method described in (i), as if such benefit accrued

not more rapidly than the slowest accrual rate permitted under section 411(b)(1)(C) of the Code.

There will be aggregated with this Plan any other plan of an Employer (including any plan that has been terminated if maintained within five years of the applicable determination date)

(i) under which at least one Key Employee participates and which is able to satisfy the requirements of sections 401(a)(4) or 410 of the Code by reason, at least in part, of the existence of this Plan, or

(ii) if at least one Key Employee is a Participant hereunder, in which a Key Employee participates or which enables a plan maintained by an Employer in which a Key Employee participates (including, but not limited to, the Plan) to satisfy the requirements of sections 401(a)(4) or 410 of the Code.

Any plan of an Employer not required to be aggregated with the Plan under the preceding sentence may nevertheless, at the discretion of the Committee, be aggregated with the Plan if the benefits and coverage of all aggregated plans would continue to satisfy the requirements of sections 401(a)(4) and 410 of the Code.

Notwithstanding the foregoing, for purposes of determining whether the Plan is top-heavy under this definition, proportional subsidies shall be disregarded while non-proportional subsidies (i.e., subsidies which apply to a group of employees that would not independently satisfy the requirements of Code section 410(b)) shall be taken into account assuming commencement at the age at which the benefit is most valuable in accordance with Treasury Regulation section 1.416-1, T-26.

Trust Agreement means the agreement by and between the Designated Employer and the Trustee, for the purposes of the Plan, as such may be amended from time to time.

Trustee means any bank or other financial institution so designated by the Board.

Union Employee means any person in the employ of the Employer who is an Employee included in a unit of employees covered by a collective bargaining agreement which provides for participation in this Plan.

Year of Service means a Year of Service as determined in Article IV.

Year of Service for Minimum Benefit Purposes means each Year of Service excluding, however,

(a) any such Year which ends in or within which ends a Plan Year which began before January 1, 1984, and

(b) any such Year which begins after the last day of the most recent Plan Year which was a Top Heavy Plan Year.

ARTICLE III PARTICIPATION

3.1 Commencement of Participation. Any Employee who participated in the National Grid Plan on the Closing Date shall become a Participant in the Plan as of the Closing Date. Any Employee who is hired by an Employer shall become a Participant in the Plan on date of hire.

3.2 Duration of Participation. Each Participant who acquires a nonforfeitable benefit in the Plan shall remain a Participant until such time as the Plan obligations are satisfied.

3.3 Transfers. Notwithstanding any provision of the Plan to the contrary, any Participant actively accruing a benefit in the Plan who transfers employment to an Affiliated Company shall continue to participate in this Plan and accrue a benefit based on Compensation earned and Years of Service credited while employed with an Affiliated Company.

ARTICLE IV SERVICE AND REEMPLOYMENT

4.1 Years of Service. Except with respect to Cash Balance Employees, Years of Service shall be accumulated as follows:

(a) One Year of Service shall be accumulated during any Plan Year in which an Employee has 1,000 or more Hours of Service.

(b) Pro rata Years of Service shall be accumulated during an Employee's first and last Plan Year. The fractional Year of Service accumulated during each such period shall be the ratio of the employee's actual Hours of Service during that Plan Year (maximum of 1,000) to 1,000.

(c) Employees who are reemployed and who are credited with Years of Service for a period of service prior to reemployment pursuant to Section 4.6 shall be credited with pro rata Years of Service for the Employee's year of departure prior to reemployment and for the year of reemployment. The fractional Year of Service accumulated during each such period shall be the ratio of the employee's actual Hours of Service during that Plan Year (maximum of 1,000) to 1,000.

(d) Other than those provided for in (b) and (c) above, no Year of Service shall be credited during any Plan Year in which an Employee has less than 1,000 Hours of Service.

If an Employee shall, however, incur five or more Nonservice Years in consecutive Plan Years, he or she shall lose the previously accumulated Years of Service unless he or she had met the criterion for vesting set out in Section 5.4.

4.2 Hour of Service. Except as provided in subsections 4.6(c) and (d) and subsection (d) below, in each Plan Year during his or her employment, an Employee will receive 190 Hours of Service for each month for which the employee is credited with at least one "Qualifying Hour". A "Qualifying Hour" consists of the following hours:

(a) each hour for which the Employee is paid or entitled to payment for the performance of duties for the Employer (each such hour to be credited to the Employee for the Plan Year in which the duties were performed);

(b) each hour for which the Employee is directly or indirectly paid or entitled to payment by the Employer (including payments under the supplemental disability income program, and including payments made or due from a trust fund or insurer to which the Employer contributes or pays premiums such as the short-term and long-term disability plans) on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity, disability, layoff, jury duty, military duty, or leave of absence, each such hour to be credited to the Plan Year in which such period of time occurs; provided, however, that not more than the greater of (i) 1001 Hours of Service in the first Plan Year in which the payments commence less the number of Hours otherwise earned in that Plan Year, or (ii) 501 Hours of Service, shall be credited to an Employee (A) on account of any single

continuous period of layoff, and (B) on account of any single continuous period following a termination of employment, whether or not either such period occurs in a single Plan Year; provided, further, that Hours of Service shall not be credited under this subsection (b) to an Employee for a payment which solely reimburses the Employee for medically related expenses incurred by the Employee, or which is made or due under a plan maintained solely for the purpose of complying with applicable worker's compensation, unemployment compensation, or disability insurance laws.

(c) each hour not counted under subsection (a) or (b) for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to be paid by the Employer, each such hour to be credited to the Employee for the Plan Year to which the award or agreement for back pay pertains, provided that crediting of Hours of Service under this subsection (c) with respect to periods described in subsection (b) above shall be subject to the limitations set forth therein;

(d) as of January 1, 1993, each hour an Employee union representative spends on union business and is provided earnings credit under subsection (a) of the definition of Compensation; and

(e) Hours of Service for purposes of determining whether rehire is for greater than or less than 500 Hours of Service under subsections 4.6(c) and (d) shall be determined by counting each Qualifying Hour in lieu of crediting 190 Hours of Service for each month that the Employee is credited with a Qualifying Hour.

Hours of Service to be credited to an Employee under (a), (b) , or (c) above will be calculated and credited pursuant to paragraphs (b) and (c) of Section 2530.200(b)-2 of the Department of Labor Regulations which are incorporated herein by reference.

4.3 Hours of Service for Nonpaid Absences. Hours of Service may be credited during approved leaves of absence, including, but not limited to, those due to pregnancy, jury duty, military service (up to 5 consecutive years), and medical reasons, for which no payment is made to the Participant.

The determination of Hours of Service accumulated for such periods of nonpaid absence shall be made by the Employee Benefit Plan Board in accordance with applicable rules, regulations, and restrictions the Employee Benefit Plan Board has reduced to writing. The determination of accumulated Hours of Service shall be made on a uniform, nondiscriminatory manner applicable to all Plan Participants.

4.4 Hours of Service Accumulated Solely for Service Continuity. If, during any Plan Year, a Participant has accumulated less than 501 Hours of Service pursuant to Sections 4.2 and 4.3, he or she may accumulate additional Hours of Service for leaves of absence that are not otherwise qualified for benefit accrual and vesting purposes, as determined by the Employee Benefit Plan Board.

In addition, if a Participant has accumulated less than 501 Hours of Service, he or she will be credited with an Hour of Service for each noncompensated hour while absent from service (regardless of whether the Participant's employment has terminated) by reason of the pregnancy

of the Participant, the birth of a child of the Participant, or the placement of a child with the Participant in connection with the adoption of such child by the Participant or for purposes of caring for such child for a period beginning immediately following such birth or placement. No such credit will be given, however, unless the Participant submits to the Employee Benefit Plan Board evidence satisfactory to it establishing the date of any such birth or placement and adoption and such other evidence as the Employee Benefit Plan Board, consistent with applicable law, may require to establish the period of qualifying absence. Such Hours of Service shall be credited up to a maximum of 501 Hours of Service per consecutive period of absence, solely for purposes of determining whether a break in a Participant's vesting service has occurred and

(a) if the qualifying period of absence continued into the computation period for vesting purposes (the "subsequent computation period") first following the computation period in which the individual's absence began (the "initial computation period") and such Hours of Service need not be credited in the initial computation period to prevent a break in vesting service with respect to the initial computation period, in the subsequent computation period, and

(b) otherwise in the initial computation period. The determination of Hours of Service accumulated pursuant to this Section 4.4 shall be made by the Employee Benefit Plan Board in accordance with applicable rules, regulations, and restrictions the Employee Benefit Plan Board has reduced to writing. The determination of accumulated Hours of Service shall be made in a uniform, nondiscriminatory manner applicable to all Plan Participants. In no event shall Hours of Service accumulated under this Section 4.4 when added to Hours of Service accumulated under Sections 4.2 and 4.3 exceed 501 Hours of Service for any Plan Year.

4.5 Additional Service Credits.

(a) For purposes of Section 5.4 for Nonunion Employees, as well as for purposes of Section 20.2(a)(i) for a Cash Balance Employee, but for no other purposes, a Participant who worked for a company that, in relationship to the Employer, falls within a "controlled group of corporations" as set forth in section 1563(a) of the Code (a "Controlled Group"), shall be credited with Years of Service for employment with said company for periods during which the company was part of the Controlled Group with the Employer. Service credit shall be made whether said employment occurs prior to or after being employed by the Employer.

(b) Years of Service shall in addition include such partial periods as are collectively bargained on behalf of Union Employee Participants, which provisions shall likewise apply to Non-Union Employee Participants who are employed and participating in the Plan on or after the effective date of the collectively-bargained benefits. Notwithstanding anything contained herein to the contrary, Years of Service may include periods of employment on a regular full-time basis with certain companies, or categories of companies previously designated in a list maintained by National Grid. Additional service credit shall be granted in a uniform, nondiscriminatory manner by the Employee Benefit Plan Board to an Employee if on his or her date of hire such list included the company for which he or she was a regular full-time employee immediately prior to such

date. In accordance with Article VI, benefits under the Plan will be reduced by benefits accrued under another pension plan for duplicate service granted under this Section 4.5. For purposes of determining the amount described in subparagraphs 6.1(a)(vii) and 6.2(a)(iv), if the Participant has withdrawn, at any time prior to the commencement of payment of benefits hereunder, any lump sum withdrawal or settlement from any qualified retirement plan for which duplicative service time has been granted, other than a 401(k) plan, said amount shall be converted into a straight life annuity using the actuarial factors provided herein.

(c) For purposes of Section 5.4 for Nonunion Employees, but for no other purpose, Years of Service shall include the period of employment with an affiliate or subsidiary of the Employer that is 40% or more owned by the Employer or a subsidiary of the Employer provided said employment occurs immediately following employment with the Employer.

4.6 Reemployment. A Participant whose employment ceases and who is subsequently reemployed shall be treated as follows:

(a) If the Participant was not vested pursuant to Section 5.4, any Years of Service such Participant may have accumulated before his or her termination shall be reinstated at the time he or she again becomes a Participant unless he or she has forfeited such Years of Service in accordance with Section 4.1.

(b) If the Participant was vested pursuant to Section 5.4, upon reemployment as an Employee his or her participation in the Plan, Years of Service and Accrued Benefit accumulated before his or her termination shall be reinstated, provided that the Participant had not commenced receiving retirement benefits.

(c) If a vested, reemployed Participant had commenced receiving retirement benefits and was rehired on terms providing for more than 40 actual Hours of Service (not based upon the 190-hour equivalency provision) a month after reemployment, payment of such benefits (including any social security supplemental benefit) shall cease, his or her Years of Service and Accrued Benefit accumulated prior to his or her termination shall be reinstated and he or she shall continue to accrue benefits, in accordance with the provisions of this Plan. Notwithstanding any provision of the Plan to the contrary, if such a Participant has been credited with additional Years of Service or years of age under the Plan in connection with a voluntary early retirement offer (including, but not limited to, the programs set forth in Supplements B through J of the National Grid Plan), the Participant will not be credited with Years of Service or years of age for purposes of determining the Participant's Basic Retirement Amount unless and until the Participant's actual Years of Service or age exceed the Participant's Years of Service or age as enhanced pursuant to any such voluntary early retirement offer; provided further, that if a Participant received any other voluntary early retirement offer derived pension enhancement, the value of that enhancement (including the actuarial value of any social security supplemental benefit received and the value of any remaining payments following re-retirement) shall offset accruals post re-employment on an actuarially determined "wear away" basis. Benefit payments shall resume (including any remaining social security supplemental benefit

payable until age 62) on the first day of the month coincident with or next following the earlier of his or her subsequent Termination Date of his or her Concurrent Retirement Benefits Date. However, if the Participant had been distributed Accumulated Employee Contributions, or a lump sum payment in accordance with subsection 19.3(a), the Participant shall be given the option of either repaying in full the distribution with interest at the rate provided herein or of having the benefit reduced; provided, that the Participant's Basic Retirement Amount will not be otherwise reduced from what it was immediately following his or her termination. Any suspension of retirement benefits required by this subsection (c) on account of reemployment shall be carried out only to the extent permitted by, and consistent with, the requirements of Section 203 of ERISA, section 411(a)(3)(B) of the Code and the regulations promulgated thereunder.

(d) If a vested, reemployed Participant had commenced receiving retirement benefits and was rehired on terms providing for 40 or fewer actual Hours of Service (not based upon the 190 hour equivalency provision) a month after reemployment, payment of such benefits shall continue but no further benefits shall accrue in accordance with the provisions of this Plan.

4.7 Years of Service for Cash Balance Benefit Purposes. Notwithstanding the foregoing, for purposes of determining a Cash Balance Participant benefit under Article XX, service shall be credited as follows:

(a) Years of Service.

(i) An Employee shall be credited with a Year of Service as of each January that follows the Employee's "date of hire," if the Employee is actively employed or otherwise being credited with service pursuant to this Article IV on that January 1. The "date of hire" is the date that the Employee first has an Hour of Service.

(ii) If an Employee is not actively employed (or treated as employed pursuant to this Article IV on January 1) the Employee shall be credited with the first or next Year of Service (as applicable) as of any date in the Plan Year that the Employee again is actively employed, provided the return date is within 12 consecutive months of the earlier of: (A) the severance from service date; or (B) a date before the severance from service date when the Employee began an absence not treated as employment under this Article IV.

(iii) If an Employee returns to active employment after a gap in service, as determined under subsection (b), the Employee will retain any years of service credited up to the severance from service date. After the Employee returns, future years of service will be credited in accordance with the other rules in this Section 4.7.

(b) Severance from Service Date. After the date of hire, a Cash Balance Employee shall be credited with continuous service until his or her "severance from service date." For this purpose, a "severance from service date" is the earlier of: (i) the date the

Employee quits, retires, is discharged or dies; or (ii) the 12-month anniversary of the date the Employee first is absent from employment for another reason, not considering periods of absence for which an Employee is otherwise credited with service under this Article IV.

If the severance from service date is the date the Employee quits, retires or is discharged, service generally is credited for the period after the severance from service date if the Employee has an Hour of Service within 12 months of that date. However, if the Employee began an absence before quitting, retiring or being discharged, the Hour of Service must occur within 12 months of that earlier date in order for service to be credited after the severance from service date.

(c) Special Rules for Crediting Service.

(i) A Cash Balance Participant who is entitled to benefits under a disability plan maintained by the Employer shall continue to be credited with service under this Plan while receiving benefits under the disability plan beyond his or her Termination Date, if and to the extent needed for vesting purposes. However, a period of service credited on this basis shall not be counted in determining the rate of the Company Credits for a reemployed Participant under the formula in Section 20.2 below.

(ii) For rehired Employees and former Union Employees who become Cash Balance Participants, Years of Service while a Cash Balance Participant shall not count as Years of Service for further benefit accruals under Section 6.2(a) of the Plan.

ARTICLE V ELIGIBILITY FOR RETIREMENT INCOME

5.1 Commencement of Retirement Income. Subject to the provisions of Sections 6.10, and 6.11, each Participant otherwise entitled to Retirement Income shall elect the date on which payment of his or her Retirement Income shall commence, which date must be (i) an Early Retirement Date or (ii) on or after his or her Normal Retirement Date.

5.2 Normal Retirement Date. A Participant who retires on or after his or her Normal Retirement Date shall be entitled to receive Retirement Income on the first day of the month next following his or her Termination Date determined pursuant to Sections 6.4, 6.5, or 6.6, whichever is applicable.

5.3 Early Retirement Date. A Participant who has attained age 55 but not age 65 and has completed at least five Years of Service may retire on an Early Retirement Date which shall be the first day of the month next following his or her Termination Date. Such Participant's Early Retirement Income shall be determined pursuant to Section 6.8.

5.4 Vesting. A Participant's Accrued Benefit or Cash Balance Benefit (as the case may be) shall be vested after five Years of Service, determined in accordance with Article IV. Notwithstanding the foregoing, a Cash Balance Participant shall be vested after three Years of Service (determined in accordance with Article IV), provided the Participant has worked at least one Hour of Service after December 31, 2007. Vesting shall automatically occur upon a Participant's attainment of age 65 or older while employed by the Employer.

5.5 Vested Terminations. A Participant who is entitled to Retirement Income, whose Termination Date occurs before he or she is eligible to retire on a Normal or Early Retirement Date, and who has met the vesting requirement under Section 5.4, shall be entitled to a deferred vested Retirement Income determined pursuant to Sections 6.9 and 8.1.

5.6 Concurrent Retirement Benefits Date. A Participant who continues to be an Employee after his or her Concurrent Retirement Benefits Date shall be entitled to receive Retirement Income determined in accordance with Section 6.10, subject to all other applicable provisions of the Plan, unless otherwise provided, as they would apply to a Participant retiring on said Concurrent Retirement Benefits Date.

5.7 Benefits During Employment. Notwithstanding any provisions of the Plan to the contrary, other than as provided in Sections 4.6(d) and 5.6, no Participant shall receive benefits hereunder while in the employ of a "controlled group of corporations" member in relationship to the Employer (as set forth in section 1563(a) of the Code).

5.8 No Reduction of Vesting. If the vesting schedule provisions under the Plan are amended and a Participant is required pursuant to ERISA to have an opportunity to remain subject to the vesting schedule under the Plan as in effect prior to such amendment, the Participant shall be deemed to have elected to be subject to the vesting schedule provisions (either those in effect before such amendment or those in effect after such amendment) which are the most favorable to the Participant.

ARTICLE VI AMOUNT OF RETIREMENT INCOME AND PAYMENTS

6.1 Basic Retirement Amount for Nonunion Employees.

(a) For a Participant who is a Nonunion Employee, the Basic Retirement Amount under this Plan shall be equal to 1/12 of the sum of (i), (ii), (iii), (iv), (v) and (vi), less (vii):

(i) 1.5% of Final Average Compensation for each Year of Service as a Nonunion Employee up to 10 years;

(ii) 1.3% of Final Average Compensation for each Year of Service as a Nonunion Employee between 10 and 20 years;

(iii) 1.25% of Final Average Compensation for each Year of Service as a Nonunion Employee between 20 and 30 years;

(iv) 0.6% of Final Average Compensation for each Year of Service as a Nonunion Employee over 30 years;

(v) 0.53% (applicable to Participants who have a Termination Date on or after April 1, 2001) of Final Average Compensation in excess of the Covered Compensation for each Year of Service as a Nonunion Employee, up to 35 years;

(vi) any benefit payable to a Participant pursuant to Appendix IV expressed on a straight life annuity basis; and

(vii) any annual benefit payable on a straight life annuity basis which was accrued for service granted pursuant to Section 4.5.

(b) Subject to Subsection 6.6(f), if a Participant has accumulated Years of Service under this Plan both as a Nonunion Employee and as a Union Employee and is a Nonunion Employee upon his or her Termination Date, the Participant's benefit shall be determined under this Section 6.1 based on the Participant's separately determined but aggregated Years of Service and Final Average Compensation; provided that the benefit payable under this Section 6.1 shall be in lieu of any benefit payable under Section 6.2.

(c) Notwithstanding the foregoing, no Cash Balance Participant (while a Cash Balance Participant) will have Retirement Income calculated in accordance with Subsection 6.1(a) above. Such Cash Balance Participant for the period while he or she is a Cash Balance Participant shall instead have his or her Cash Balance Benefit calculated in accordance with Article XX. For rehired Employees who became Cash Balance Participants and former Union Employees who become Nonunion Employees on or after January 1, 2010, Years of Service credited while the Participant is a Cash Balance Participant do not count as Years of Service for purposes of further benefit accruals under Section 6.1 or Section 6.2.

6.2 Basic Retirement Amount for Union Employees.

(a) The Basic Retirement Amount under this Plan for a Participant who is a Union Employee shall be equal to 1/12 of the result of (i) plus (ii) less (iii) and (iv) below:

(i) 1.9% of Final Average Compensation for each Year of Service as a Union Employee up to 30 years;

(ii) 1.0% (0.8% for terminations prior to September 1, 2007) of Final Average Compensation for each Year of Service as a Union Employee in excess of 30 years;

(iii) 1.333% of the Social Security Amount for each Year of Service as a Union Employee to a maximum of 46.66%;

(iv) any annual benefit payable on a straight life annuity basis which was accrued for service granted pursuant to Section 4.5.

(b) Subject to Section 6.6(f), if a Participant has accumulated Years of Service under this Plan both as a Nonunion Employee and as a Union Employee and is a Union Employee upon his or her Termination Date, the Participant's benefit shall be determined under this Section 6.2 based on the Participant's separately determined but aggregated Years of Service and Final Average Compensation; provided that the benefit payable under this Section 6.2 shall be in lieu of any benefit payable under Section 6.1.

(c) Notwithstanding the foregoing, no Cash Balance Participant will have Retirement Income (while a Cash Balance Participant) calculated in accordance with Section 6.2. Such Cash Balance Participant for the period while he or she is a Cash Balance Participant shall instead have his or her Cash Balance Benefit calculated in accordance with Article XX. For rehired Employees and former Union Employees who become Nonunion Employees on or after January 1, 2010, Years of Service credited while the Participant is a Cash Balance Participant do not count as Years of Service for purposes of further benefit accruals under Section 6.1 or Section 6.2.

6.3 Normal Form of Payment. Retirement Income shall be payable in the normal form as follows:

(a) If a Participant has a Spouse, the normal form of payment shall be a contingent annuitant option with the Spouse entitled to receive 50% of the Participant's amount of Retirement Income as determined under the applicable Sections of this Article VI.

If the Spouse of a Participant receiving Retirement Income payments in the normal form predeceases such Participant, Retirement Income payments shall prospectively revert to the amount that would have been payable had the Participant elected a straight life annuity option at his or her Concurrent Retirement Benefits Date, Normal Retirement Date (or a later retirement date elected pursuant to Article V), Early Retirement Date, or commencement of deferred vested Retirement Income in accordance with Section 6.9.

(b) If a Participant does not have a Spouse, the normal form of payment shall be a straight life annuity with no amount of Retirement Income payable after the Participant's death except as provided in Article VIII.

6.4 Normal Retirement Income - Amount. The amount of Normal Retirement Income payable to a Participant (other than a Cash Balance Participant) commencing on or after his or her Normal Retirement Date, or on his or her Concurrent Retirement Benefits Date, shall be his or her Basic Retirement Amount as determined under Sections 6.1, 6.2 or 6.6 (whichever is applicable), adjusted for Actuarial Equivalence if payment is in any form other than a straight life annuity.

Notwithstanding the foregoing, each Participant who was receiving pension income or had a vested benefit as of April 1, 1978 or was a Gas Company Employee (other than Former Gas Company Employees) participating in the New England Electric Company Final Average Pay Plan II shall receive such benefits in the amount and in the form specified in the applicable provisions of the Prior Plans as in effect on the day before the Effective Date.

Effective January 1, 2005, any Participant who continues to work beyond his or her Normal Retirement Date shall, upon his or her Termination Date, be entitled to the value of his or her Accrued Benefit or Cash Balance Benefit, as applicable, as of his or her Benefits Commencement Date without actuarial adjustment, provided that the Participant is provided with a "suspension of benefits notice" in accordance with Section 411(b) of the Code and section 203(a)(3) of ERISA. In the event that such suspension of benefits notice is not provided, the Participant shall be entitled to a benefit that is no less than the value of his or her Accrued Benefit or Cash Balance Benefit, as applicable, determined as of his or her Normal Retirement Date, actuarially adjusted through the Participant's Benefits Commencement Date. Notwithstanding anything in this paragraph to the contrary, if, to the extent permitted under the definition of "Concurrent Retirement Benefits Date" and 6.10, a Participant's Benefits Commencement Date is later than April 1 of the calendar year following the calendar year in which he or she attains age 72 (or 70½, if applicable) due to the Participant's continued employment subsequent to such date, the Participant's Accrued Benefit or Cash Balance Benefit, as applicable, shall, to the extent required under Section 401(a)(9)(C)(iii) of the Code, be actuarially increased to take into account the period subsequent to such date for which no benefit payments were made.

6.5 Minimum Benefits.

(a) A Participant who participated in Prior Plans shall be entitled to a minimum Retirement Income, provided on a straight life annuity basis, calculated under the applicable provisions of the Prior Plans with the base rate of compensation and unit value (as defined in the Prior Plans) frozen as of the Effective Date.

(b) An Employee becoming a Participant subsequent to April 1, 1976, who was a member of the New England Electric System Companies' Career Average Pay Plan or included in 828 GAC shall be entitled to a minimum Retirement Income, provided on a straight life annuity basis, calculated in accordance with Plan provisions applicable to such Employee on the day before becoming a Participant in this Plan with Compensation frozen as of the day before becoming a Participant in this Plan.

(c) A Participant who was an active Employee on April 1, 1991, shall be entitled to a minimum Retirement Income calculated on a straight life annuity basis (the form of payment to be determined in accordance with Sections 6.3, 6.4, and 9.1), in accordance with the Plan provisions immediately prior to such date with Compensation and Years of Service frozen as of such date; provided that, in calculating the minimum benefit determined on an Early Retirement Date the adjustment shall be calculated under said Plan provisions using the Participant's age and Years of Service at the Termination Date.

(d) If a Participant has transferred between this Plan and any predecessor plan, or between Nonunion and Union Employees status, the Participant shall be entitled to a minimum Basic Retirement Amount equal to what he or she would have received had he or she not transferred, based upon the Participant's age and Years of Service immediately prior to the transfer.

(e) A Participant who retires on or after April 1, 1994, and whose Accrued Benefit is affected by the \$150,000 limit on Compensation under the definition of "Final Average Compensation" made effective April 1, 1994, shall be entitled to a minimum benefit determined by calculating the Participant's Accrued Benefit through March 31, 1994, under the then applicable terms of the Plan, plus future service benefit accruals after March 31, 1994, under the then applicable term of the Plan, determined in accordance with regulations under Section 401(a)(17) of the Code.

(f) A Participant who is an active Nonunion Employee at any time during the period between March 1, 2000 and July 14, 2002, and who subsequently retires shall receive a minimum monthly benefit (expressed as a single life annuity determined as of his or her Normal Retirement Date) of \$215.00, subject to the vesting requirements set forth in Article V.

6.6 Maximum Benefit. Notwithstanding any other provision of the Plan, the Annual Benefit to which a Participant is entitled at any time subsequent to March 31, 1983 shall not exceed the limitations on benefits set forth in Article XXI of the Plan (related to Section 415 of the Code).

6.7 Early Retirement Income - Amount. A Participant who retires on an Early Retirement Date shall be entitled to an amount of Retirement Income determined in accordance with (a) or (b), below, adjusted for Actuarial Equivalence if payment is in any form other than a straight life annuity:

(a) If the Participant elects to defer the first payment of his or her early Retirement Income until his or her Normal Retirement Date, such income shall be equal to his or her Accrued Benefit as of his or her Early Retirement Date.

(b) If the Participant elects first payment of his or her early Retirement Income prior to his or her Normal Retirement Date, said income shall be equal to his or her Accrued Benefit as of his or her Early Retirement Date multiplied by the appropriate factor as follows: For (i) Union Employees and (ii) Nonunion Employees who have a Termination Date on or after April 1, 2001, the appropriate factors (interpolated for twelfths of a year)

are set forth in Table I or II below. For Nonunion Employees who have a Termination Date prior to March 31, 2001, the appropriate factors (interpolated for twelfths of a year) are set forth in Table III, IV, V, VI or VII below.

Years Prior to Normal Retirement Date when Retirement Income benefits commence	<u>Table I</u>	<u>Table II</u>
	Participants whose age plus service is greater than 85 at Termination Date	Participants whose age plus service is less than 85 at Termination Date
0	1.0000	1.0000
1	1.0000	1.0000
2	1.0000	1.0000
3	1.0000	1.0000
4	.9600	.9600
5	.9000	.6400
6	.8500	.6000
7	.8000	.5400
8	.7500	.5000
9	.7000	.4600
10	.6500	.4200

Tables III and IV are for Participants who, as of April 1, 1991, (i) had age plus service equal to or greater than 85, (ii) had at least ten Years of Service and were age 55 or older, or (iii) were age 61 or older

Table V is for Participants not Covered by Tables III, IV, VI or VIII

Years Prior to Normal Retirement Date when Retirement Income benefits commence	Table III	Table IV	Table V
	Participants whose age plus service is equal to or greater than 85 at Termination Date	Participants whose age plus service is less than 85 at Termination Date	
0	1.0000	1.0000	100%
1	1.0000	1.0000	94%
2	1.0000	1.0000	88%
3	1.0000	1.0000	82%
4	.9600	.9600	76%
5	.9000	.7000	70%
6	.8500	.6600	66%
7	.8000	.6200	62%
8	.7500	.5800	58%
9	.7000	.5400	54%
10	.6500	.5000	50%

Participants who, as of April 1, 1991, had age and Years of Service greater than 75 but less than 85, retire with age plus service equal to or greater than 85, and do not qualify for Tables III or IV.

Table VI
AGE AT RETIREMENT

AGE AND SERVICE AT April 1, 1991	55	56	57	58	59	60	61	62	63	64	65
76	52%	56%	60%	64%	68%	72%	78%	84%	89%	95%	100%
77	53%	57%	61%	66%	70%	74%	80%	86%	90%	95%	100%
78	55%	59%	63%	67%	72%	76%	82%	87%	92%	96%	100%
79	56%	60%	65%	69%	71%	78%	84%	89%	93%	96%	100%
80	58%	62%	66%	71%	76%	81%	86%	91%	94%	97%	100%
81	59%	64%	68%	73%	77%	83%	88%	93%	95%	98%	100%
82	61%	65%	70%	75%	79%	85%	90%	95%	96%	98%	100%
83	62%	67%	72%	76%	81%	87%	92%	96%	98%	99%	100%
84	64%	68%	73%	78%	83%	89%	94%	98%	99%	99%	100%

Participants who, as of April 1, 1991, had age and Years of Service greater than 75 but less than 85, retire with age plus service less than 85, and do not qualify for Tables III or IV.

Table VII
AGE AT RETIREMENT

AGE AND SERVICE AT April 1, 1991	55	56	57	58	59	60	61	62	63	64	65
76	50%	54%	58%	62%	66%	70%	78%	84%	89%	95%	100%
77	50%	54%	58%	62%	66%	70%	80%	86%	90%	95%	100%
78	50%	54%	58%	62%	66%	70%	82%	87%	92%	96%	100%
79	50%	54%	58%	62%	66%	70%	84%	89%	93%	96%	100%
80	50%	54%	58%	62%	66%	70%	86%	91%	94%	97%	100%
81	50%	54%	58%	62%	66%	70%	88%	93%	95%	98%	100%
82	50%	54%	58%	62%	66%	70%	90%	95%	96%	98%	100%
83	50%	54%	58%	62%	66%	70%	92%	96%	98%	99%	100%
84	50%	54%	58%	62%	66%	70%	94%	98%	99%	99%	100%

Notwithstanding the above, Retirement Income for a Gas Company Employee who retires while in the employ of a gas company listed in Appendix V or any successor company thereto, shall be equal to his or her Accrued Benefit multiplied by the factors specified in the applicable provisions of the Prior Plans.

6.8 Deferred Vested Retirement Income - Amount. A vested Participant who has a termination of employment, other than by death, prior to having attained his or her Early Retirement Date is entitled to a deferred vested Retirement Income which shall be determined in accordance with (a) or (b), below, adjusted for Actuarial Equivalence if payment is in any form other than a straight life annuity:

(a) If the Participant does not make a written request for his or her deferred vested Retirement Income to begin before his or her Normal Retirement Date, such income shall then be equal to his or her Accrued Benefit as of his or her Termination Date.

(b) If the Participant makes a timely written request for his or her deferred vested Retirement Income to begin on the first of any month following his or her 55th birthday, his or her deferred vested Retirement Income shall equal his or her Accrued Benefit as of his or her Termination Date multiplied by the factor from the appropriate Table of subsection (b) of Section 6.8 to reflect the number of years, or portion thereof, before his or her Normal Retirement Date by which the Participant's payments are to begin.

6.9 Concurrent Retirement Benefits - Amount.

(a) A Participant who continues to be an Employee after attaining age 72 (70½, if applicable) and begins receiving retirement benefits pursuant to the definition of "Concurrent Retirement Benefits Date", shall receive a benefit determined pursuant to Sections 6.4, 6.5 or 6.6 and recalculated annually as of the first day of April.

(b) Upon termination of employment, any Participant who may have received benefits pursuant to the definition of "Concurrent Retirement Benefits Date" and subsection 6.10(a) shall receive retirement benefits determined pursuant to Section 6.4, 6.5 or 6.6 as of the Participant's Termination Date.

(c) All Plan distributions shall comply with the minimum distribution requirements specified in Section 19.17.

6.10 Commencement of Distributions. In accordance with Sections 6.4, 6.8 and 6.9 above, retirement benefits will commence as soon as practicable after the Participant's elected retirement date, but generally no later than 90 days following said date provided all required election and retirement forms are received on or prior to the Participant's elected retirement date in accordance with procedures adopted by the Employee Benefit Plan Board. Notwithstanding the foregoing, retirement benefits to a Participant shall commence not later than the 60th day after the close of the Plan Year in which occurs the latest of (i) the date on which the Participant attains his or her Normal Retirement Date, and (ii) the Participant's Termination Date. If the properly completed request for benefits has not been received on such date, benefits will be distributed in the normal form described in Section 6.3 above.

6.11 Cash Balance Participants. Notwithstanding the foregoing, a Cash Balance Participant's Cash Balance Benefit shall be determined under Article XX. Except as specifically provided herein or in Article XX, none of the provisions of this Article VI shall apply to Cash Balance Participants.

ARTICLE VII PRE-RETIREMENT SPOUSE BENEFIT

7.1 Eligibility. The Spouse of a vested Participant is entitled to the pre-retirement spouse benefit provided in Section 7.2 if such Participant dies before the starting date of his or her Retirement Income benefits. No pre-retirement spouse benefit is provided to Participants receiving Concurrent Retirement Benefits under Sections 5.6 and 6.10.

7.2 Amount of Spouse's Benefit. The benefit payable to a Spouse shall be determined using the following factors:

(a) the date for calculation shall be elected in writing by the Spouse from among the following dates:

(i) the first day of the month next following the Participant's death, provided the Participant was eligible for Early Retirement (5.3) or Normal Retirement (5.2) on the date of death,

(ii) the date as of which the Participant would have attained an age qualifying for Retirement Income under the Plan, or

(iii) such later date as the Spouse shall elect, but not later than December 31st of the calendar year in which the Participant would have attained age 72 (age 70½ for a Participant born before July 1, 1949) or, if later, December 31st of the calendar year immediately following the calendar year in which the Participant died; and

(b) The amount shall be equal to the survivor annuity payable under the 50% contingent annuitant option (100% contingent annuitant option in the case of a Participant who dies while in active employment and after attaining age 55) determined as of the date benefits commence by adjusting the Participant's Retirement Income payable as of such date for Actuarial Equivalence; provided, however, that if the Employee has Accumulated Employee Contributions, the provisions of the second paragraph of Section 8.2 shall apply.

7.3 Payment of Spouse's Benefit. Payments shall begin to the Spouse on the first day of the month next following the date chosen under subsection 7.2(a) and shall continue to be made on the first day of each month thereafter during the Spouse's lifetime. If the Spouse does not survive until the date payments are to commence, no benefit will be provided.

7.4 Cash Balance Participants. Notwithstanding the foregoing, a Cash Balance Participant's Cash Balance Benefit shall be determined and distributed under Article XX, and none of the provisions of this Article VII shall apply.

ARTICLE VIII [RESERVED]

ARTICLE IX OPTIONAL FORMS OF PAYMENT AND ELECTION PROCEDURES

9.1 Waiver of Normal Form and Election of Optional Form of Payment. A Participant may waive the normal form of payment described in Section 6.3 or 20.4(a), as applicable, provided that concurrently with such waiver the Participant shall elect another form of payment from those provided for in Section 9.4 or 20.4(b), as applicable. Such waiver and election must satisfy the requirements of Section 9.2. Such waiver and election shall be effective against all normal forms of payment provided at the Participant's Benefits Commencement Date. A waiver of normal form and election of optional form of payment by a Participant receiving Concurrent Retirement Benefits shall be applicable to all benefits hereunder including those earned after commencement of payments in accordance with Section 6.8.

9.2 Waiver and Election Procedure.

(a) Procedure. A Participant may waive the normal form of payment described in Section 6.3 and elect an optional form of payment at any time during the 180-day period ending on his or her Benefit Commencement Date or such other period permitted by the Code and regulations thereunder (the "election period"). Any such waiver and election shall specify the optional form of benefit elected and shall state the specific non-Spouse Beneficiary, if any, who will receive a benefit upon the Participant's death. The Participant's waiver and election shall be made in such form and manner as the Employee Benefit Plan Board shall prescribe, consistent with applicable Treasury Regulations.

If a Participant has a Spouse, the Participant's Spouse must consent in writing to any such waiver and the consent must acknowledge the effect of such waiver and be witnessed by a notary public or a Plan representative. Any consent by a Spouse under the preceding sentence shall be effective only with respect to such Spouse. A marriage by the Participant subsequent to the effective date of a waiver, shall not affect the waiver.

Notwithstanding any provision herein to the contrary, spousal consent is not required for a married Participant's election of a joint and survivor annuity that satisfies the requirements of a qualified joint and survivor annuity under Section 417(b) of the Code and is actuarially equivalent to the Plan's qualified joint and survivor annuity.

(b) Required Information. At least 30 days but not more than 180 days prior to a Participant's Benefit Commencement Date, the Participant (including a Participant no longer in the employ of the Employer) will be furnished with a written notification in nontechnical terms containing:

(i) The terms and conditions of the applicable normal form of benefit described in Sections 6.3, 9.1 and 20.4, as applicable, including the circumstances in which it will be provided and, in the case of a married Participant, the terms and conditions of the Plan's "qualified optional survivor annuity" (as defined in section 417(g) of the Code);

(ii) The Participant's right to make, and the effect of, an election to waive the applicable normal form of benefit and the qualified optional survivor annuity (if applicable);

- (iii) The rights of the Participant's Spouse, if any, under Section 9.1;
- (iv) The right to make, and the effect of, a revocation of an election under this Section;
- (v) A general description of the eligibility conditions and other material features of the optional forms of payment under the Plan (including the right to defer a distribution until the Participant's Normal Retirement Date) and sufficient additional information to explain the relative values of the optional forms of payment in accordance with regulations and other guidance issued under section 417(a)(3) of the Code;
- (vi) A general explanation of the relevant financial effects on the amount of a Participant's benefit of an election under Section 9.1 or 20.4, as applicable; and
- (vii) A description, in accordance with regulations and other guidance issued under section 411(a)(11) of the Code, of how much larger benefits will be if the commencement of distributions is deferred.

Notwithstanding the foregoing, subject to procedures adopted by the Employee Benefit Plan Board such distribution may commence less than 30 days (but not less than 7 days) after the required notification described above is given, provided that (a) the Administrator clearly informs the Participant that the Participant has a right to a period of at least 30 days after receiving the notice to consider whether or not to elect the distribution, and (b) the Participant is able to revoke an affirmative distribution election at least until the Benefit Commencement Date, or, if later, during the 7-day period immediately following the Participant's receipt of the required notification described above.

At any time during the election period described above, any waiver may be revoked without need of spousal consent by filing such forms at such times as may be required by the Employee Benefit Plan Board. No such revocation or change shall prevent the Participant from making a subsequent waiver and election under this Section during such election period.

9.3 Temporary Nonpayment of Retirement Income. The Employee Benefit Plan Board shall not authorize any payment until the Participant submits necessary information on a completed form with respect to marital status and Spouse's age, if applicable.

9.4 Optional Forms of Payment. The forms of benefit (other than for Cash Balance Participants), including normal and optional forms, are as follows:

- (a) Straight Life Annuity, under which Retirement Income payments are made to the Participant during his or her lifetime, with no further payments from the Plan on the Participant's behalf after his or her death except in accordance with Article VIII.
- (b) Contingent annuitant option that is Actuarially Equivalent to the Straight Life Annuity under which reduced Retirement Income payments are made to the Participant during his or her lifetime, with payments from the Plan on death equal to 50%, 75%, or 100% of the payments previously payable to the Participant to be continued to,

and for the lifetime of, the Contingent Annuitant. The 75% contingent annuitant option with the Participant's Spouse as his or her Contingent Annuitant is the Plan's "qualified optional survivor annuity" as described in section 417(g) of the Code.

(i) If a Participant shall elect the contingent annuitant option and the Participant or the Contingent Annuitant shall die before it becomes effective, the election of the contingent annuitant option shall be revoked automatically and there shall be no further payments from the Plan on the Participant's behalf after his or her death except as provided by Articles VII and VIII.

(ii) If the Contingent Annuitant of a Participant receiving Retirement Income payments under a contingent annuitant option predeceases such Participant, Retirement Income payments shall prospectively revert to the amount that would have been payable had the Participant elected a straight life annuity option at his/her Concurrent Retirement Benefits Date, Normal Retirement Date (or a later retirement date elected pursuant to Article V) or Early Retirement Date.

(c) Social Security Adjustment Option, available only with respect to early Retirement Income payments beginning before the earliest date on which a Participant first could elect to receive benefits under the Federal Social Security Act, with early Retirement Income payments increased until such date and decreased during the Participant's lifetime thereafter. The amount of increase and decrease, when considered together with the Participant's expected Social Security payments (based upon actual earnings, if reasonably practicable) at the earliest date on which the Participant could begin to receive such payments, shall result, insofar as practicable, in a constant annual income during the Participant's lifetime. The adjustment shall be based upon the Applicable Interest Rate and Applicable Mortality Table. This option may be combined with either option (a) or option (b), above, but shall not be available under any circumstances if the social security adjustment yields a zero post reduction monthly benefit.

9.5 Limitation on Distributions to Beneficiaries and Contingent Annuitants.
Notwithstanding any other provision of this Plan:

(a) the present value of Retirement Income payments payable over the life expectancy of a Participant must exceed 50% of the present value of all payments payable to the Participant, any Contingent Annuitant, and any Beneficiary; and

(b) the annuity payment payable to the Contingent Annuitant must not exceed the applicable percentage of the annuity payment of the Participant;

Excess of age of Employee over age of Beneficiary	Applicable Percentage	Excess of age of Employee over age of Beneficiary	Applicable Percentage
10 years or less	100%	28	62%
11	96%	29	61%
12	93%	30	60%
13	90%	31	59%
14	87%	32	59%
15	84%	33	58%
16	82%	34	57%
17	79%	35	56%
18	77%	36	56%
19	75%	37	55%
20	73%	38	55%
21	72%	39	54%
22	70%	40	54%
23	68%	41	53%
24	67%	42	53%
25	66%	43	53%
26	64%	44 or greater	52%
27	63%		

provided, however, that this Section 9.5 shall not apply if the Contingent Annuitant or Beneficiary is the Participant's Spouse.

ARTICLE X CONTRIBUTIONS

10.1 Employer Contributions. The Employer shall make his or her share of the total contributions which are made from time to time to provide benefits under the Plan. Any forfeiture of the interest of any Participant shall be applied to reduce the amount of Employer contributions. In making contributions, the Employer may rely upon actuarial estimates made or obtained by the Employee Benefit Plan Board of the amounts which would accomplish the purposes of the Plan.

10.2 Expenses. The reasonable expenses incident to the operation of the Plan, including, but not limited to, premiums for termination insurance payable to the Pension Benefit Guaranty Corporation, fees for professional services, and the costs of such other technical or clerical assistance as may be required, shall be paid out of the Funds, to the extent not paid for by the Employer.

10.3 Funding Policy. The funding policy and method under the Plan, and the procedures for carrying out such policy and method, shall be determined by the Designated Employer.

10.4 Return of Contributions to the Employer. Except as provided in Section 19.2, the Plan is created for the exclusive benefit of Participants, their Spouses, Contingent Annuitants and Beneficiaries. Except as provided in subsections (a) and (b) below, at no time prior to the satisfaction of all liabilities under the Plan with respect to Participants, their Spouses, Contingent Annuitants, and Beneficiaries shall any contributions to the Plan by the Employer or any assets of the Funds revert to or be used by any Employer.

(a) In the case of a contribution that is made by the Employer by a mistake of fact, such Employer may direct the return to it of such contribution, provided that such contribution (reduced, if the Trust suffered a net investment loss since the time of the contribution, by the portion of the net investment loss allocable to the contribution) is returned to the Employer within one year after the payment of the contribution.

(b) Contributions by the Employer are conditioned upon initial qualification of the Plan under section 401(a) of the Code and the deductibility of each such contribution under section 404 of the Code, and the Employer may direct the return to it of any contribution; provided that, the application for the determination is made by the time prescribed by law for filing the Employer's tax return for the taxable year in which the Plan was adopted and the return of the contribution occurs within one year after such adverse determination; and provided further that to the extent a contribution is disallowed or in excess of tax deductible limits for any year the contribution shall be returned to the Employer within one year after the disallowance of the tax deduction.

ARTICLE XI ADMINISTRATION

11.1 Administration by the Employee Benefit Plan Board. The Plan shall be administered by the Employee Benefit Plan Board. All rules and decisions of the Employee Benefit Plan Board shall be uniformly and consistently applied. The Employee Benefit Plan Board shall have the final right of interpretation, construction and determination under the Plan and decisions of the Employee Benefit Plan Board are final and conclusive for all purposes.

11.2 Duties and Powers of Employee Benefit Plan Board and Administrative Committee.

(a) In addition to the duties and powers described elsewhere hereunder, the Employee Benefit Plan Board shall have all such powers as may be necessary to discharge its duties hereunder including but not limited to the following specific duties and powers:

(i) to retain such consultants, accountants, agents, clerical assistants, attorneys and Actuaries as may be deemed necessary or desirable to render statements, reports and advice with respect to the Plan and to assist the Employee Benefit Plan Board in complying with all applicable rules and regulations affecting the Plan;

(ii) to make such amendments as provided for in Article XIV;

(iii) to recommend a funding policy consistent with the objectives of the Plan;

(iv) to enact uniform and nondiscriminatory rules and regulations to carry out the provisions of the Plan;

(v) to compute the amount of any retirement income payable to a Participant or other amounts payable under the Plan and authorize disbursement under the Trust Agreement or annuity contract (provided that a request for funds from the Trustee or a direction for the payment or application of funds by the Trustee shall be signed by the Chairman, the Secretary or any two members of the Employee Benefit Plan Board);

(vi) to interpret the provisions of the Plan;

(vii) to determine whether any domestic relations order received by the Plan is a qualified domestic relations order as provided in section 414(p) of the Code;

(viii) to evaluate administrative procedures;

(ix) to delegate such duties and powers as the Employee Benefit Plan Board shall determine from time to time to any person or persons or to an administrative committee. To the extent of any such delegation, the delegate shall

have the duties, powers, authority, and discretion of the Employee Benefit Plan Board; and

(x) to establish a claims procedure under which claims will be reviewed by the Manager-Employee Benefits of PPL, or such other individual as may be designated by the Vice President-Human Resources of PPL and under which each claimant shall receive notice in writing in the event any claim for benefits with respect to a Participant's participation in the Plan has been denied; such notice shall set forth the specific reasons for such denial. Such claims procedure shall also provide an opportunity for full and fair review by the administrative committee of the Employee Benefit Plan Board.

(b) In addition to any other duties and powers it may possess, the administrative committee of the Employee Benefit Plan Board shall have the following specific duties and powers:

(i) to resolve questions or disputes relating to eligibility for benefits or the amount of benefits under the Plan; and

(ii) to interpret the provisions of the Plan.

11.3 Employee Benefit Plan Board. The Employee Benefit Plan Board and the administrative committee of the Employee Benefit Plan Board shall have the discretionary authority and final right to interpret, construe and make benefit determinations (including eligibility and amount) under the Plan. The decisions of the Employee Benefit Plan Board and the administrative committee of the Employee Benefit Plan Board are final and conclusive for all purposes.

11.4 Reliance On Reports and Certificates. The members of the Employee Benefit Plan Board and the officers and directors of PPL shall be entitled to rely upon all tables, valuations, certificates and reports furnished by any duly appointed Actuary, upon all certificates and reports made by the Trustee or by any duly appointed accountant, and upon all opinions given by any duly appointed legal counsel.

11.5 Functions. The Employee Benefit Plan Board shall cause to be maintained such books of account, records, and other data as may be necessary or advisable in its judgment for the purpose of the proper administration of the Plan.

11.6 Indemnification of the Employee Benefit Plan Board. Each member of the Employee Benefit Plan Board, the administrative committee, and each of their designees shall be indemnified by the Employer against expenses reasonably incurred by him in connection with any action to which he may be a party by reason of the delegation to him of administrative functions and duties, except in relation to matters as to which he shall be adjudged in such action to be personally guilty of negligence or willful misconduct in the performance of his duties. The foregoing right to indemnification shall be in addition to such other rights as the members of the Employee Benefit Plan Board, the administrative committee and each of their designees may enjoy as a matter of law or by reason of insurance coverage of any kind. Rights granted hereunder shall be in addition to and not in lieu of any rights to indemnification to which the members of the

Employee Benefit Plan Board, the administrative committee and each of their designees may be entitled pursuant to the by-laws of a Participating Company. Service on the Employee Benefit Plan Board shall be deemed in partial fulfillment of the Employee Benefit Plan Board member's function as an employee, officer and/or director of a Participating Company, if he serves in such other capacity as well.

11.7 Corrective Action. The Employee Benefit Plan Board shall have the ability to take or approve such voluntary corrective action as it considers necessary or appropriate to remedy any inequity that results from incorrect information received or communicated in good faith, or as a consequence of administrative or operational error. Such steps may include, but shall not be limited to, taking any action (or acknowledging the Designated Employer's taking of any action) required or permitted under the employee plans compliance resolution system of the Internal Revenue Service, any asset management or fiduciary conduct error correction program available through the Department of Labor, or any similar correction program instituted by the IRS, DOL or other administrative agency, reallocation of Plan assets, adjustments in amounts of future payments to Participants, Beneficiaries, Contingent Annuitants, Spouses or Alternative Payees, and institution and prosecution of actions to recover benefit payments made in error or on the basis of incorrect or incomplete information.

11.8 Rules and Regulations. Subject to the terms of the Plan, the Employee Benefit Plan Board may from time to time adopt such bylaws, rules and regulations as it deems necessary or desirable for fulfilling its responsibilities.

ARTICLE XIII LIMITATION ON BENEFITS IF PLAN IS TERMINATED

12.1 Restrictions on Distributions to Certain Highly Compensated Employees. Notwithstanding any other provision of the Plan to the contrary, the annual payments to a highly compensated employee or highly compensated former employee who is among the 25 such individuals entitled to benefits under the Plan with the greatest compensation shall be restricted to an amount equal to the payments that would be made on behalf of the employee under a single life annuity that is the actuarial equivalent of the sum of the employee's Accrued Benefit and the employee's other benefits under the Plan, all as determined pursuant to, and to the extent required by, Treasury Regulation §1.401(a)(4)-5(b)(3). In the event of Plan termination, the benefit of any highly compensated employee (and any highly compensated former employee) is limited to a benefit that is non-discriminatory under section 401(a)(4) of the Code.

12.2 Limitation on Applicability. The restrictions described in this Article XII shall, notwithstanding any provision contained herein to the contrary, not become effective if and to the extent the Commissioner of Internal Revenue or his or her designate has determined, by regulation, ruling or otherwise, that the limitations are not necessary to prevent prohibited discrimination under the Code in the circumstances in which they would otherwise become effective.

ARTICLE XIII TOP HEAVY LIMITATIONS

13.1 Provisions to Apply. The provisions of this Article will apply for any top-heavy plan year notwithstanding anything to the contrary in the Plan. This Article is intended to comply with Code Section 416 and the regulations thereunder, which are incorporated by reference.

13.2 Special Vesting. Notwithstanding any other provision of the Plan to the contrary, each individual who is a Nonunion Employee and is a Participant at any time during a Top Heavy Plan Year shall have a fully vested and nonforfeitable interest in not less than a percentage of his or her Accrued Benefit as set forth in the following schedule:

Years of Service	Nonforfeitable Percentage
2	20
3	40
4	60
5	80
6 or more	100

In the event any Plan Year subsequent to a Top Heavy Plan Year is not itself a Top Heavy Plan Year, the foregoing special vesting schedule shall apply to benefits accrued in such Plan Year, but only to the benefits accrued by Participants who were Participants at any time during an earlier Top Heavy Plan Year.

13.3 Minimum Benefits. The Accrued Benefit of each Participant who is a Nonunion Employee and completes a Year of Service in a Top Heavy Plan Year, determined as of the end of such Plan Year (and as of the end of any subsequent Plan Year) (the "Determination Date"), when expressed as a benefit payable annually in the form of a single life annuity (with no ancillary benefits) commencing at the Participant's Normal Retirement Date, shall not be less than the lesser of:

- (a) the product of two percent of High Five Year Compensation and the number of Years of Service for Minimum Benefit Purposes, and
- (b) twenty percent of High Five Year Compensation.

13.4 Maximum Compensation. No more than \$200,000 as adjusted pursuant to section 401(a)(17) of the Code of Compensation shall be taken account of under the Plan for any Employee with respect to any Top Heavy Plan Year.

13.5 Minimum Benefits. For purposes of satisfying the minimum benefit requirements of Code section 416(c)(i), in determining years of service with the Employer, service shall be disregarded to the extent that it occurs during a Plan Year when the Plan benefits (within the meaning of Code section 410(b)) no key Employee or former Key Employee.

ARTICLE XIV AMENDMENT OF THE PLAN

14.1 Right to Amend. The Board shall have the authority to amend the Plan or any of its provisions. In addition, the Employee Benefit Plan Board may adopt any amendment that does not significantly affect the cost of the Plan or significantly alter the benefit design or eligibility requirements of the Plan. Each amendment to the Plan will be binding on the Employer. Notwithstanding the foregoing, no amendment to the Plan shall decrease the accrued benefit of any Participant unless the amendment satisfies the requirements of section 412(d)(2) of the Code and the regulations thereunder. In addition, except as otherwise permitted under section 436 of the Code, no amendment to the Plan that has the effect of increasing liabilities of the Plan by reason of increases in benefits, establishment of new benefits, changing the rate of benefit accrual or changing the rate at which benefits become nonforfeitable may take effect during any Plan Year if the adjusted funding target attainment percentage for such Plan Year is less than 80%, or would be less than 80% taking into account such amendment, unless a Participating Company makes a contribution to the Plan in the amount required under section 436(c)(2) of the Code.

14.2 Restrictions on Amendment. Unless permitted by applicable law or regulation, no amendment of the Plan may be made which shall:

- (a) deprive any Participant, Spouse, Contingent Annuitant, Alternate Payee, or Beneficiary of any part of a benefit it accrued to the date of such amendment;
- (b) result in the reversion to the Employer of any part of the Funds contrary to the provisions of the Plan; or
- (c) increase the duties or liabilities of the Insurance Company or Trustee, respectively, without the written consent thereof.

ARTICLE XV TERMINATION OF THE PLAN

15.1 Events Constituting Termination.

(a) It is expressly declared to be the desire and intention of the Employer to continue the Plan for the benefit of its Employees for an indefinite period of time. Nevertheless, circumstances not now anticipated or foreseeable may arise in the future, as a result of which the Employer may deem it to be impracticable or unwise to continue to participate in the Plan established hereunder, and the Employer therefore reserves the right to terminate its participation in the Plan (insofar as it affects its Employees) at any time. Such termination shall be effected by a written instrument of termination executed by the Employer. A copy of such instrument shall be delivered to the Insurance Company, to the Trustee, to PPL, and to the Employee Benefit Plan Board. In addition, PPL reserves the right to terminate the Plan, in whole or in part, by or pursuant to action of the Board. A termination of participation in the Plan by the Employer will be considered a partial termination of the Plan; provided that if Plan assets and Plan liabilities are transferred or spun off to a pension plan that is qualified under section 401(a) of the Code and is sponsored by the Employer ceasing to participate in the Plan, and the amounts transferred equal or exceed the values of the Accrued Benefits of the affected Participants (and their Spouses, Beneficiaries, Contingent Annuitants, or Alternate Payees) determined on a termination basis in accordance with section 414(l) of the Code and applicable Treasury Regulations thereunder, such a transaction will not constitute a partial termination of the Plan. A termination of participation in the Plan by all Employer will be considered a complete termination of the Plan.

(b) With respect to any Employer, its adjudication of bankruptcy or insolvency by any court of competent jurisdiction; its making of a general assignment for the benefit of creditors; its dissolution, merger, consolidation, or other reorganization or discontinuance of business, unless the Plan is continued by a successor company; or its complete discontinuance of contributions, shall operate to terminate the Employer's participation in the Plan.

(c) Subject to applicable requirements of notice to the Pension Benefit Guaranty Corporation, governing termination of employee pension plans, the Employee Benefit Plan Board shall direct that the assets of the Fund, allocable to the Employer which has terminated its participation in the Plan, be segregated for payment of benefits in accordance with the provisions of this Article.

15.2 Partial Termination. Upon a partial termination of the Plan, the Employee Benefit Plan Board shall direct the Actuary to determine the proportionate interests of the Participants affected by such partial termination. After such proportionate interests have been determined, the Employee Benefit Plan Board shall direct that the assets of the Fund, allocable to such group of Participants, be segregated for payment of benefits in accordance with the provisions of this Article.

15.3 Allocation of Assets. Upon complete termination or partial termination, the benefits of Participants affected thereby shall become fully vested and nonforfeitable to the extent funded.

The assets of the Fund, or appropriate segregated portion thereof, shall be allocated (after payment or provision for expenses) to such Participants in the following manner and order:

- (a) to cover Accumulated Employee Contributions;
- (b) to provide Participants, Spouses, Contingent Annuitants, or Beneficiaries who were receiving benefits or who were eligible to receive benefits at least three years prior to the partial or complete termination of the Plan, Retirement Income based on the lowest benefit under Plan provisions in effect during the five years preceding the date of the Plan's termination;
- (c) to provide all other benefits guaranteed under ERISA;
- (d) to provide all other nonforfeitable benefits under the provisions of the Plan at its partial or complete termination, but which are not guaranteed under ERISA; and
- (e) finally, to provide all other Accrued Benefits as of the date of the partial or complete termination.

If the assets of the Funds, as of the date of the partial or complete termination, are not sufficient to provide in whole the amounts required within the classes described above, such assets will be allocated pro rata within the class in which the amounts first cannot be provided in full. Allocation in any of the above-listed categories is to be adjusted for any allocation already made to the same Participant under a prior category.

15.4 Manner of Distribution. Subject to the foregoing provisions of this Article, distribution after a complete termination of the Plan may be made, in whole or in part, to the extent that no discrimination results, in cash, securities, or other assets in kind (based on their fair market value as of the date of distribution), or in nontransferable annuity contracts, as the Employee Benefit Plan Board in its discretion shall determine. Distributions after a partial termination of the Plan will be made at such time and in such manner as provided under the provisions of the Plan, other than this Article, relating to distributions.

15.5 Residual Amounts. The Employer shall receive such amounts from the Funds upon complete termination of the Plan as remain after the satisfaction of all liabilities of the Plan.

ARTICLE XVI RETIREE MEDICAL ACCOUNT

16.1 401(h) Account. The Employee Benefit Plan Board will establish (or cause to be established), an account from which Medical Benefits may be paid with respect to Eligible Retired Medical Participants pursuant to section 401(h) of the Code. Payments for benefits provided to a Spouse or dependent of an Eligible Retired Medical Participant are included in the phrase “with respect to”. The 401(h) Account will be a separate account for recordkeeping purposes. The 401(h) Account need not be segregated from the other assets of the Plan for investment purposes; however, the Employee Benefit Plan Board may segregate all or part of the 401(h) Account in its discretion, and, to the extent the 401(h) Account is so segregated, it may be held in a separate trust, qualifying under the Code section 501(a), established under this Plan. If the 401(h) Account is not segregated, the Employee Benefit Plan Board shall adopt procedures for allocating investment earnings between accounts. Prior to the satisfaction of all obligations under the Plan to provide Medical Benefits, no part of the corpus or income of the 401(h) Account may be used for, or diverted to any purpose other than the providing of such benefits. However, upon the satisfaction of all obligations under the Plan to provide such benefits, any amount remaining in the 401(h) Account will be returned to the Employer, in such proportions as is determined by the Employee Benefit Plan Board.

16.2 Payment of Medical Benefits. Medical Benefits will be provided in such amounts, at such time or times, in such manner, and to such payees as are provided under the Employer’s retiree medical programs as in effect from time to time. All assets of the 401(h) Account will be available to provide benefits with respect to any Eligible Retired Medical Participant, and no separate fund or subaccount need be segregated for any such Participant.

16.3 Contributions to the 401(h) Account. The Employer may make direct contributions to the 401(h) Account in such amounts and at such time or times as it determines in its discretion. Such contributions must be reasonable and ascertainable and are subject to the general conditions relating to Plan contributions under Section 11.4. However, in no event shall the aggregate amount of such contributions, when added to any contributions for any life insurance protection provided under the Plan, exceed 25 percent of the total actual contributions to the Plan under this Section 16.3 and under Section 11.1 (other than contributions to fund past service credits). Any forfeitures with respect to Medical Benefits under the 401(h) Account must be applied as soon as possible to reduce Employer contributions to fund such benefits.

ARTICLE XVII ASSIGNMENTS, PAYMENTS, AND MISCELLANEOUS
PROVISIONS

17.1 Nonalienation of Benefits. Except as provided in Section 17.2 or as otherwise permitted or required by the Code or ERISA, no benefit under the Plan, nor any other interest hereunder of any Participant, Spouse, Contingent Annuitant, Alternate Payee, or Beneficiary, may be assigned or alienated.

17.2 Payment Under Qualified Domestic Relations Orders. Notwithstanding any provisions of the Plan to the contrary, if there is entered any judgment, decree or order (including approval of a property settlement agreement) which relates to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child, or other dependent of a Participant, which is made pursuant to a state domestic relations law (including a community property law) and which creates or recognizes the existence of an alternative payee's right to, or assigns to an alternative payee the right to, receive all or a portion of the benefits payable with respect to such Participant, then such benefits will be paid in accordance with the applicable requirements of such judgment, decree, or order; provided such judgment, decree, or order constitutes a "qualified domestic relations order" ("QDRO") within the meaning of section 414(p) of the Code and section 206 of ERISA. A domestic relations order that otherwise satisfies the requirements for a QDRO (as described above) shall not fail to be a QDRO: (a) solely because the order is issued after, or revises, another domestic relations order or QDRO, or (b) solely because of the time at which the order is issued, including issuance after the Participant's Benefits Commencement Date or death. Furthermore, notwithstanding any provision of this Section 17.2 to the contrary, the benefits provided hereunder to a Participant may be offset pursuant to either (i) a judgment, (ii) an order, (iii) a decree, or (iv) a settlement agreement, any of which satisfies the conditions of section 401(a)(13)(C) of the Code; provided that the spousal consent requirements of sections 401(a)(13)(C) and (D) of the Code are met.

17.3 Payment of Benefits.

(a) Except as otherwise provided under Article XVIII (with respect to Cash Balance Benefits) any vested benefit (in respect to any terminated Employee) under the Plan shall be paid in a single lump sum payment of the greater actuarially equivalent value determined based on:

- (i) the definition of "Actuarial Equivalence"; or
- (ii) the Applicable Interest Rate and the Applicable Mortality Table, provided that this subsection (a) applies only if:
 - (A) such value does not exceed \$1,000, and
 - (B) if payment of such benefit has commenced to the Participant or the surviving Spouse, the Participant and the Spouse, or the Participant's surviving Spouse, whichever is applicable, consents to such a payment in writing.

employer securities (“after-tax amounts”). Notwithstanding the foregoing, a distribution shall not fail to be an Eligible Rollover Distribution merely because it includes after-tax amounts, provided that such amounts may be transferred only to: (A) an individual retirement account or annuity described in section 408(a) or (b) of the Code (or a Roth IRA described in section 408A of the Code); or (B) a qualified defined contribution plan described in section 401(a) or 403(b) of the Code, if such trust or contract provides for separate accounting for amounts so transferred (including interest thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

(ii) Eligible Retirement Plan: An Eligible Retirement Plan is any of the following that accepts a Direct Rollover of the Distributee’s Eligible Rollover Distribution: an individual retirement account described in section 408(a) of the Code; an individual retirement annuity described in section 408(b) of the Code; an annuity plan described in section 403(a) of the Code; an annuity contract described in section 403(b) of the Code; an eligible plan under section 457(b) of the Code that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state which agrees to separately account for amounts transferred into such plan from this Plan; or a qualified trust described in section 401(a) of the Code; or a Roth IRA as described in section 408A of the Code.

(iii) Distributee: A Distributee includes an employee or former employee. In addition, the employee's or former employee's surviving Spouse and the employee’s or former employee’s Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are Distributees with regard to the interest of the Spouse or former Spouse. A non-Spouse beneficiary who is a Participant’s “designated beneficiary” under Code section 401(a)(9)(E) and the regulations issued thereunder, shall be considered a “Distributee” with regard to the interest of such non-Spouse beneficiary. However, in the case of a non-Spouse beneficiary, a Direct Rollover may only be made to: (A) an individual retirement account or annuity described in sections 408(a) or (b) of the Code (“IRA”), or (B) a Roth IRA as described in section 408A of the Code, which IRA or Roth IRA is established on behalf of the non-Spouse beneficiary and treated as an inherited IRA or Roth IRA in accordance with section 402(c)(11) of the Code.

(iv) Direct Rollover: A Direct Rollover is a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

(h) Notwithstanding any provision of the Plan to the contrary, if a Participant is scheduled to receive a payment pursuant to subsection (a) above, the Employee Benefit Plan Board may deem the Participant as having elected, and the Employee Benefit Plan Board may make, a direct rollover of the Participant’s entire vested benefit under the Plan to an individual retirement account described in section 408(a) of the Code (an “IRA”). The IRA shall be established by the Employee Benefit Plan Board for the Participant’s

benefit in accordance with procedures adopted by the Employee Benefit Plan Board. The Participant, as a condition of participation in the Plan, shall be obligated to accept the terms of the agreement pursuant to which the IRA is established. Notwithstanding the foregoing, a direct rollover will not be made for a Participant under this subsection (h) if, in accordance with procedures adopted by the Employee Benefit Plan Board, the Participant either elects to receive his or her entire vested benefit in cash instead of a direct rollover to an IRA or requests that such amount be paid directly to another eligible retirement plan described in subsection (g) above.

17.4 Insufficiency of Funds. Neither any Employer nor any affiliate or subsidiary thereof, nor the Employee Benefit Plan Board, shall be liable in any manner to any Participant, Spouse, Contingent Annuitant, Alternate Payee, or Beneficiary if the Funds shall be insufficient to provide for the payment of all benefits. Such benefits are to be payable only from the Funds and only to the extent of the assets of the Funds.

17.5 Effectuation of Interest. In the event it should become impossible for the Designated Employer or the Employee Benefit Plan Board to perform any act required by the Plan, the Designated Employer or the Employee Benefit Plan Board may perform such other act as it in good faith determines will most nearly carry out the intent and purpose of the Plan.

17.6 No Implied Right to Employment. Neither this Plan, nor the payment of contributions by the Employer, nor the payment of any benefits pursuant to the Plan shall be construed to create any obligation upon the Employer to continue to make contributions to the Plan or to give any present or future Employee any right to continued employment.

17.7 Plan Assets: Merger or Transfer. There shall be no merger or consolidation with, or transfer of assets or liabilities of the Plan (except as permitted by regulation) to, any other plan unless each Participant in the Plan would, if the Plan terminated after such merger, consolidation, or transfer, receive a benefit immediately thereafter equal to or greater than the benefit that he or she would have been entitled to receive immediately before such merger, consolidation, or transfer if the Plan had then been terminated.

17.8 Headings. The headings of Articles and Sections of this Plan are for convenience of reference only.

17.9 Copy of Plan. An executed copy of the Plan shall be available for inspection by the Employee or other person entitled to benefits under the Plan at reasonable times at the Human Resources Office of the Designated Employer.

17.10 Gender and Number. Unless the context requires otherwise, the singular shall include the plural; the masculine gender shall include the feminine; and such words as "herein", "hereinafter," "hereof," and "hereunder" shall refer to this instrument as a whole and not merely to the subdivisions in which such words appear.

17.11 Separability. If any term or provision of the Plan, as presently in effect or as amended from time to time, or the application thereof to any payments or circumstances, shall to any extent be invalid or unenforceable, the remainder of the Plan and the application of such term or provision to payments or circumstances other than those to which it is invalid or unenforceable

shall not be affected thereby, and each term or provision of the Plan shall be valid and enforced to the fullest extent provided by law.

17.12 Uniform Application. All provisions of the Plan shall be uniformly applied to all Participants.

17.13 Participant's Period of Military Service. Notwithstanding any provisions of this Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service (as defined in section 414(u)(5) of the Code) will be provided in accordance with the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended (USERRA), and section 414(u) of the Code. Furthermore, the following rules shall apply in the case of Participants who die or become disabled while performing qualified military service on or after January 1, 2007: (a) the survivors of a Participant who dies while performing qualified military service on or after January 1, 2007 shall be entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan had the Participant resumed and then terminated employment on account of death in accordance with section 401(a)(37) of the Code, and (b) a Participant who dies or becomes disabled while performing qualified military service on or after January 1, 2007 shall be provided vesting service and benefit accruals in accordance with section 414(u) of the Code as if the Participant had resumed employment in accordance with his or her reemployment rights under USERRA on the day preceding death or disability (as the case may be) and terminated employment on the actual date of death or disability. For purposes of determining benefit accruals under the preceding sentence, compensation shall be based on the lesser of: (i) the 12-month period of service with the Employer immediately prior to qualified military service; or (ii) if service with the Employer is less than such 12-month period, the actual length of continuous service with the Employer. To the extent the employee is a member of a collective bargaining unit, the compensation will be based on rates of pay in effect during the period of leave that the employee would have been expected to receive but for the leave and any multipliers shall be the actual multipliers in effect for the period of the leave. In addition to the foregoing rules, for Plan Years, (i) an individual receiving a differential wage payment (as defined by Code section 3401(h)(2)) shall be treated as an Employee of the Employer making the payment, (ii) the differential wage payment shall be treated as compensation for all purposes under the Plan, and (iii) the Plan shall not be treated as failing to meet the requirements of any provision described in Code section 414(u)(1)(C) by reason of any contribution or benefit which is based on the differential wage payment.

17.14 Governing Law. Except as otherwise required by law, the Plan and all matters arising thereunder shall be governed by the laws of The Commonwealth of Pennsylvania.

17.15 Appendices and Supplements. The Appendixes and Supplements attached hereto are expressly incorporated herein and made a part hereof.

17.16 Minimum Distribution Requirements. Notwithstanding any provision of the Plan to the contrary, all distributions will be made in accordance with Code Section 401(a)(9) and Treasury Regulation Sections 1.401(a)(9)-1 through 1.401(a)(9)-9 (the "Section 401(a)(9) Regulations"), which Code Section and Regulations are incorporated herein by this reference. Without limiting the generality of the foregoing, the following specific provisions shall apply:

(a) Required Beginning Date. For purposes of this Section 17.16, a Participant's "Required Beginning Date" means the later of (i) April 1 of the calendar year following the calendar year in which the Participant attains age 72 (age 70½ for a Participant born before July 1, 1949), or (ii) except in the case of a 5% owner (as defined in Code Section 416(i)(1)(B)), April 1 of the calendar year following the calendar year in which the Participant retires.

(b) Distributions Before Death. In general, the entire interest of each Participant shall be distributed to the Participant not later than his Required Beginning Date, or beginning not later than his Required Beginning Date, in accordance with the Section 401(a)(9) Regulations, over the life of the Participant, over the lives of the Participant and his designated Beneficiary, or over a period not extending beyond the life expectancy of the Participant or the life expectancy of the Participant and his designated Beneficiary. If the Participant's Spouse is not his designated Beneficiary, a method of payment to the Participant may not provide more than incidental benefits to the Beneficiary pursuant to the minimum distribution incidental benefit requirement described in Code Section 401(a)(9)(G) and Sections 1.401(a)(9)-2 and 1.401(a)(9)-6 of the Section 401(a)(9) Regulations.

(c) Distributions Following Death. Following the Participant's death, the entire interest of the Participant shall be distributed not later than as follows:

(i) If the Participant's death occurs after his Required Beginning Date, the remaining portion of the Participant's interest shall be distributed to the Participant's Beneficiary, in accordance with the Section 401(a)(9) Regulations, at least as rapidly as under the method of distribution applicable to the Participant as of the date of the Participant's death.

(ii) If the Participant's death occurs prior to his Required Beginning Date and a qualified preretirement survivor annuity (as defined in Code Section 417(c)) is payable to the Participant's Spouse, the Spouse shall receive, in accordance with the Section 401(a)(9) Regulations, distribution over a period not exceeding the Spouse's life expectancy commencing no later than December 31st of the calendar year in which the Participant would have attained age 72 (age 70½ for a Participant born before July 1, 1949) or, if later, December 31st of the calendar year immediately following the calendar year in which the Participant died. If the Participant's death occurs prior to his Required Beginning Date and any death benefits are payable to a Beneficiary other than the Participant's Spouse, distribution of such benefits shall be made to the Participant's Beneficiary by the end of the calendar year containing the 5th anniversary of the Participant's death; provided, however, that if the benefits are payable in an annuity form of benefit, such Beneficiary shall receive, in accordance with the Section 401(a)(9) Regulations, distribution over a period not exceeding the Beneficiary's life expectancy commencing no later than December 31st of the calendar year immediately following the calendar year in which the Participant died.

ARTICLE XVIII CASH BALANCE BENEFIT

18.1 Eligibility for Cash Balance Benefit. Notwithstanding any provision of the Plan to the contrary, a Cash Balance Participant shall have his or her Cash Balance Benefit determined and distributed in accordance with this Article.

18.2 Cash Balance Benefit.

(a) Cash Balance Account. A "Cash Balance Account" will be established for each Cash Balance Participant under the Plan. The sole purpose of the Cash Balance Account is to determine such Participant's Cash Balance Benefit, and such Participant has no right or claim to any amounts credited to his or her Cash Balance Account. Subject to the limitations set forth in Section 6.7, each Cash Balance Participant's Cash Balance Account will be credited with Company Credits and Interest Credits as follows:

(i) Company Credits Nonunion Employees.

(A) Company Credits Prior to January 1, 2011. As of the last day of each calendar month beginning after July 14, 2002 and before January 1, 2011, the Cash Balance Account of each Cash Balance Participant who is a Nonunion Employee on such day will be credited with a Company Credit equal to a percentage of the Participant's Base Compensation for that month as indicated below:

<u>Years of Service</u>	<u>Percentage</u>
0 but less than 5	4.0%
5 but less than 10	5.0%
10 but less than 15	6.0%
15 but less than 20	7.0%
20 or more	8.0%

In applying this Schedule, Years of Service are increased as of January 1 for actively employed Participants, or on the first day of re-employment during the year, as determined under Section 4.8 above.

(B) Company Credits After December 31, 2010. As of the last day of each calendar month beginning on or after January 1, 2011, the Cash Balance Account of each Cash Balance Participant who is a Non- Union Employee on such day will be credited with a Company Credit equal to a percentage of the Participant's Base Compensation for that month as indicated below:

Plan shall be equal to the average of the rates of interest used under the Plan during the 5-year period ending on the termination date, and (B) the interest rate and mortality table used to determine the amount of any benefit under the Plan payable in the form of an annuity payable at Normal Retirement Age shall be the interest rate and mortality table specified in the Plan for such purpose as of the termination date, except that if such interest rate is a variable rate, the interest rate shall be determined under the rules of Section 18.2(a)(ii)(3)(A).

(b) Amount of Cash Balance Benefit. As of any point in time, a Participant's Cash Balance Benefit means a benefit expressed in the form of a single life annuity commencing at Normal Retirement Age, calculated by projecting the Participant's Cash Balance Account to Normal Retirement Age with interest at the rate used for Interest Credits under Section 18.2(a)(ii) in effect at the date of determination, and converting the projected Account to a benefit payable at Normal Retirement Age that is the Actuarial Equivalent of such projected Account. If the Participant has reached Normal Retirement Age, the Cash Balance Benefit means a benefit expressed in the form of a single life annuity that is the Actuarial Equivalent of the Participant's Cash Balance Account; provided, however, that in the case of a Participant who retires after Normal Retirement Age, to the extent the Participant's benefits are not suspended as described in the last paragraph of Section 6.4 of the Plan, the benefit will be no less than the Actuarial Equivalent of the Participant's accrued benefit determined as of the Participant's Normal Retirement Age. Actuarial Equivalence and present value for purposes of this paragraph shall be based on the Applicable Interest Rate and the Applicable Mortality Table defined in Article II, with September as the applicable lookback month and the calendar year as the applicable stability period. The form of payment made to a Participant and the amount of the payment or payments to the Participant under such form shall be determined in accordance with the applicable provisions of this Article XVIII. Notwithstanding any provision of the Plan to the contrary (including Plan provisions relating to Code Section 417(e)), the present value of a Participant's accrued benefit for purposes of making a distribution of a Participant's vested accrued benefit with respect to the cash balance portion of the Plan shall in all cases be equal to the Participant's Cash Balance Account.

18.3 Termination and Reemployment

(a) Reemployment of a Vested Participant. If a vested terminated or retired Cash Balance Participant is subsequently rehired by the Employer, such Participant's Cash Balance Account balance shall be increased in accordance with Section 18.2 above during the period of reemployment as a Cash Balance Participant. The Cash Balance Participant's prior period of employment shall count as service, in accordance with Plan rules, in determining the percentage of Company Credits for the Participant under the applicable formula, whichever applies during the period of reemployment.

(i) If the Cash Balance Participant received a full lump sum distribution of his or her Account upon terminating employment, the Account upon rehire shall be \$0.

(ii) If the Cash Balance Participant received a partial distribution upon terminating employment, the Account upon rehire shall be the remaining balance.

(iii) If the Cash Balance Participant is receiving an annuity, the monthly payments shall be suspended during any month following his or her rehire in which he or she has 40 or more actual Hours of Service (not using the 190 hour equivalency provision).

(iv) If the Cash Balance Participant did not receive or commence receiving any distribution upon terminating employment, the Participant's Account shall continue to be credited with Interest Credits during his or her absence.

(b) Reemployment of a Non-Vested Participant. If a non-vested Cash Balance Participant terminates employment with the Employer and is not eligible for vesting credit under Section 4.5, such Participant's Cash Balance Account shall be forfeited as of the date the Participant incurs a Break in Service. However, if the Participant is subsequently rehired by the Employer, the full Account balance shall be restored, no matter how long the Break in Service. The restored Account balance shall include the Interest Credits earned during such absence based on the Cash Balance Participant's status when last employed. The Cash Balance Participant's Account balance shall be increased in accordance with Section 18.2 above during the period of reemployment as a Cash Balance Participant, and the prior period of employment shall count as service, in accordance with Plan rules, in determining the percentage of the Company Credits for the Participant under the applicable formula, whichever applies during the period of reemployment.

18.4 Payment of Cash Balance Benefit. A Participant will be entitled to receive payment of his or her Cash Balance Benefit at such time following his or her Termination Date as the Participant may elect, subject to the requirements of Sections 6.10(c), 6.11 and 9.2 of the Plan, and the requirements of Code sections 401(a)(9) and 417 as set forth in the Plan. Payment shall be made in either the normal form of payment applicable to the Participant, at the Participant's election (with spousal consent, if required), in an optional form of payment.

(a) Normal Form of Payment. If a Participant has a Spouse, the normal form of payment shall be a 50% qualified joint and survivor annuity described in Code section 417. If the Participant does not have a Spouse, the normal form of payment shall be a single life annuity, with no benefits payable after the Participant's death.

(b) Optional Forms of Payment. A Participant may waive the normal form of payment described in subsection (a) above and elect one of the optional forms of benefit described below, provided that such waiver and election satisfy the requirements of Sections 9.1, 9.2 and 9.3, including the spousal consent requirements therein (if applicable). Optional forms of benefit are as follows:

(i) Lump sum payment equal to the balance of the Participant's Cash Balance Account;

(ii) Single life annuity;

(iii) Contingent annuitant option, under which a reduced retirement benefit is payable to the Participant during his or her lifetime, with payments from the Plan on death equal to 100%, 75%, 50%, or 25% of the payments previously payable to the Participant to be continued to and for the lifetime of the Participant's Spouse; or

(iv) Any contingent annuitant option described above; provided, however, that if the Participant's Spouse predeceases such Participant, payments shall prospectively revert (or "pop up") to the amount that would have been payable had the Participant elected a single life annuity option.

An election under this Section may be made to receive a combination of lump sum and eligible annuity in 25% increments (not to exceed a total of 100%). If a Participant elects to divide his or her benefit in accordance with the foregoing, the amount of the distribution payable with respect to each specified portion of the accrued benefit is determined in accordance with the method for calculating the amount of a distribution payable in the optional form elected for that portion as if that portion were the Participant's entire accrued benefit.

The forms of benefit other than the lump sum shall be the "actuarial equivalent" of the Participant's Cash Balance Benefit, determined using the RP 2000 (weighted 100% male) mortality table and interest at 6% per annum compounded annually.

(c) Mandatory Cash-out Rule. If a Participant's vested Cash Balance Account does not exceed \$1,000, the Participant's Account shall be distributed to the Participant in a single lump sum upon termination of employment in full payment of his or her benefit under the Plan.

18.5 Death Benefits.

(a) Unmarried Cash Balance Participants. If a Cash Balance Participant dies before his or her payments begin, such Participant's Beneficiary will receive, as soon as reasonably practicable after the Participant's death, a lump sum payment equal to the balance of the Participant's Cash Balance Account as of the payment date. If more than one Beneficiary is designated as entitled to payment hereunder, the Account shall be divided equally between or among them unless a different allocation was designed by the Participant and all such Beneficiaries are living at the time of the Participant's death. If a Beneficiary dies before receiving a distribution that he or she is entitled to hereunder, such amount shall be paid to the Beneficiary's estate in a lump sum.

(b) Married Cash Balance Participants. If a Cash Balance Participant dies before his or her payments begin and such Participant is married on the date of death, his or her Spouse will be entitled to receive a pre-retirement death benefit. The preretirement death benefit payable to the Spouse under this subsection (b) will be a monthly annuity commencing at the election of the Spouse as of the first day of any month following the date of the Participant's death (but no later than December 31st of the calendar year in which the Participant would have attained age 72 (age 70½ for a Participant born before

July 1, 1949) or, if later, December 31st of the calendar year immediately following the calendar year in which the Participant died) and ending on date of the Spouse's death. Such annuity will be equal to a single life annuity determined in accordance with Section 18.4(b)(ii). In lieu of such lifetime benefit, the Spouse may elect to receive a single lump sum payment equal to the balance of the Participant's Cash Balance Account. If the Spouse dies before receiving a distribution, the Participant's Cash Balance Account will be paid to the Spouse's estate in a lump sum.

Notwithstanding the foregoing provisions of this subsection (b), a married Cash Balance Participant may waive the pre-retirement death benefit for his or her Spouse described in this subsection (b) and name a non-spouse Beneficiary (or Beneficiaries) to receive such benefit. A Cash Balance Participant who has yet to attain age 35 may make a special election to have his or her Spouse waive the pre-retirement death benefit for the purpose of naming a different Beneficiary(ies), which waiver shall end on the first day of the Plan Year in which the Participant attains age 35, at which time the pre-retirement survivor benefit will be reinstated automatically, unless and until such time that a new Beneficiary election with appropriate Spousal consent is made. The Participant's Spouse must consent to all waivers. Furthermore, spousal consent under this subsection (b) must be in writing, must specify the non-spouse Beneficiary(ies), must acknowledge the effect of the waiver and must be witnessed by a notary public. Unless the consent form expressly provides that the Participant may make further elections without further consent of his or her Spouse, the consent will be effective only with respect to the specific Beneficiary(ies) to which the consent relates. Spousal consent will be effective only with respect to that Spouse and shall be irrevocable by the Spouse once made. The Administrator will provide such timely information to Participants in connection with pre-retirement benefits and the Participant's rights to waive those benefits as may be required from time to time under the Code or ERISA.

If a lump sum is elected and the Participant dies on or after the Benefit Commencement Date, but before the lump sum is paid, the Participant's lump sum will be paid to the Participant's Spouse or other Beneficiary(ies) who was designated consistent with preretirement spouse death benefit provision of the Code and ERISA. If there is no Spouse or surviving Beneficiary, the lump sum shall be paid to the Participant's estate.

(c) Death of Cash Balance Participant after Payments Begin. In the case of a Cash Balance Participant who dies after payments have begun, no death benefits will be payable except as otherwise provided under the form of pension in effect for such Participant on the date of his or her death.

ARTICLE XIX LIMITATIONS ON BENEFITS UNDER
CODE SECTION 415 OF THE CODE

19.1 Section 415 Limitations. Code Section 415 limits are hereby incorporated by reference. Notwithstanding any Plan provision to the contrary, the annual benefit to a Participant for any Limitation Year shall not exceed the limitations of Code Section 415(b), as adjusted in accordance with Code Section 415(d), which are hereby incorporated by reference. In applying Code Section 415 and the Regulations thereunder, the following definition shall apply:

(a) Compensation. The term "Compensation" means, for purposes of this Article, wages, salaries, and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the employer maintaining the plan to the extent that the amounts are includible in gross income (including, but not limited to, commissions paid to salespersons, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, and reimbursements, or other expense allowances under a nonaccountable plan (as described in Treasury Regulation Section 1.62-2(c)), and excluding the following:

(i) Employer contributions (other than elective contributions described in Code Sections 402(e)(3), 408(k)(6), 408(p)(2)(A)(i), or 457(b)) to a plan of deferred compensation (including a simplified employee pension described in Code Section 408(k) or a simple retirement account described in Code Section 408(p), and whether or not qualified) to the extent such contributions are not includible in the Employee's gross income for the taxable year in which contributed, and any distributions (whether or not includible in gross income when distributed) from a plan of deferred compensation (whether or not qualified), except that any amounts received by an Employee pursuant to a nonqualified unfunded deferred compensation plan shall be considered Compensation in the Limitation Year the amounts are actually received, but only to the extent such amounts are includible in the Employee's gross income;

(ii) Amounts realized from the exercise of a nonstatutory stock option (that is, an option other than a statutory stock option as defined in Treasury Regulation Section 1.421-1(b)), or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(iii) Amounts realized from the sale, exchange or other disposition of stock acquired under a statutory stock option;

(iv) Other amounts that receive special tax benefits, such as premiums for group term life insurance (but only to the extent that the premiums are not includible in the gross income of the employee and are not salary reduction amounts that are described in Code Section 125); and

(B) Payments for unused accrued bona fide sick, vacation or other leave that the Employee would have been able to use if employment had continued; or

(C) Payments received by the Employee pursuant to a nonqualified unfunded deferred compensation plan, but only if the payment would have been paid to the Employee at the same time if the Employee had continued in employment with the Employer and only to the extent that the payment is includible in the Employee's gross income.

Any other payments made after an Employee's Severance from Employment are not considered Compensation even if payment is made within the time period specified above. Notwithstanding the foregoing, differential wage payments (as defined by Code Section 3401(h)(2)) shall not fail to be treated as Compensation hereunder due to their payment following an Employee's Severance from Employment.

(b) Limitation Year. The term "Limitation Year" means the calendar year.

ARTICLE XX LIMITATIONS ON BENEFITS UNDER SECTION 436 OF THE CODE

20.1 Purpose and Effective Date of this Article. The purpose of this Article XXII is to set forth the limitations on benefits that apply to the Plan under Section 436 of the Code. This Article XX shall be construed and applied in accordance with the provisions of Code Section 436 and Treasury Regulation § 1.436-1 issued thereunder.

20.2 Limitations Applicable If the Plan's Adjusted Funding Target Attainment Percentage Is Less Than 80 Percent, But Not Less Than 60 Percent. Notwithstanding any other provisions of the Plan, if the Plan's adjusted funding target attainment percentage for a Plan Year is less than 80 percent (or would be less than 80 percent to the extent described in Section 20.2(b) below) but is not less than 60 percent, then the limitations set forth in this Section 20.2 apply.

(a) 50 Percent Limitation on Single Sum Payments, Other Accelerated Forms of Distribution, and Other Prohibited Payments. A Participant or Beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date on or after the applicable section 436 measurement date, and the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment, unless the present value of the portion of the benefit that is being paid in a prohibited payment does not exceed the lesser of:

- (i) 50 percent of the present value of the benefit payable in the optional form of benefit that includes the prohibited payment; or
- (ii) 100 percent of the PBGC maximum benefit guarantee amount (as defined in § 1.436-1(d)(3)(iii)(C) of the Treasury Regulations).

The limitation set forth in this Section 20.2(a) does not apply to any payment of a benefit which under Section 411(a)(11) of the Code may be immediately distributed without the consent of the Participant. If an optional form of benefit that is otherwise available under the terms of the Plan is not available to a Participant or Beneficiary as of the annuity starting date because of the application of the requirements of this Section 20.2(a), the Participant or Beneficiary is permitted to elect to bifurcate the benefit into unrestricted and restricted portions (as described in § 1.436-1(d)(3)(iii)(D) of the Treasury Regulations). The Participant or Beneficiary may also elect any other optional form of benefit otherwise available under the Plan at that annuity starting date that would satisfy the 50 percent/PBGC maximum benefit guarantee amount limitation described in this Section 20.2(a), or may elect to defer the benefit in accordance with any general right to defer commencement of benefits under the Plan. During a period when Section 20.2(a) applies to the Plan, Participants and Beneficiaries are permitted to elect payment in any optional form of benefit otherwise available under the Plan that provides for the current payment of the unrestricted portion of the benefit (as described in § 1.436-1(d)(3)(iii)(D) of the Treasury Regulations), with a delayed commencement for the restricted portion of the benefit (subject to other applicable qualification requirements, such as Sections 411(a)(11) and 401(a)(9) of the Code).

(b) Plan Amendments Increasing Liability for Benefits. No amendment to the Plan that has the effect of increasing liabilities of the Plan by reason of increases in benefits, establishment of new benefits, changing the rate of benefit accrual, or changing the rate at which benefits become nonforfeitable shall take effect in a Plan Year if the adjusted funding target attainment percentage for the Plan Year is:

(i) Less than 80 percent; or

(ii) 80 percent or more, but would be less than 80 percent if the benefits attributable to the amendment were taken into account in determining the adjusted funding target attainment percentage.

The limitation set forth in this Section 20.2(b) does not apply to any amendment to the Plan that provides a benefit increase under a Plan formula that is not based on compensation, provided that the rate of such increase does not exceed the contemporaneous rate of increase in the average wages of Participants covered by the amendment.

20.3 Limitations Applicable If the Plan Adjusted Funding Target Attainment Percentage Is Less Than 60 Percent. Notwithstanding any other provisions of the Plan, if the Plan's adjusted funding target attainment percentage for a Plan Year is less than 60 percent (or would be less than 60 percent to the extent described in Section 20.3(b) below), then the limitations in this Section 20.3 apply.

(a) Single Sums, Other Accelerated Forms of Distribution, and Other Prohibited Payments Not Permitted. A Participant or Beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date on or after the applicable section 436 measurement date, and the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment. The limitation set forth in this Section 20.3(a) does not apply to any payment of a benefit which under Section 411(a)(11) of the Code may be immediately distributed without the consent of the Participant.

(b) Shutdown Benefits and Other Unpredictable Contingent Event Benefits Not Permitted to Be Paid. An unpredictable contingent event benefit with respect to an unpredictable contingent event occurring during a Plan Year shall not be paid if the adjusted funding target attainment percentage for the Plan Year is:

(i) Less than 60 percent; or

(ii) 60 percent or more, but would be less than 60 percent if the adjusted funding target attainment percentage were redetermined applying an actuarial assumption that the likelihood of occurrence of the unpredictable contingent event during the Plan Year is 100 percent.

(c) Benefit Accruals Frozen. Benefit accruals under the Plan shall cease as of the applicable section 436 measurement date. In addition, if the Plan is required to cease benefit accruals under this Section 20.3(c), then the Plan is not permitted to be amended in

a manner that would increase the liabilities of the Plan by reason of an increase in benefits or establishment of new benefits

20.4 Limitations Applicable If the Plan Sponsor Is In Bankruptcy. Notwithstanding any other provisions of the Plan, a Participant or Beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date that occurs during any period in which the Plan sponsor is a debtor in a case under title 11, United States Code, or similar Federal or State law, except for payments made within a Plan Year with an annuity starting date that occurs on or after the date on which the Plan's enrolled actuary certifies that the Plan's adjusted funding target attainment percentage for that Plan Year is not less than 100 percent. In addition, during such period in which the Plan sponsor is a debtor, the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment, except for payments that occur on a date within a Plan Year that is on or after the date on which the Plan's enrolled actuary certifies that the Plan's adjusted funding target attainment percentage for that Plan Year is not less than 100 percent. The limitation set forth in this Section 20.4 does not apply to any payment of a benefit which under Section 411(a)(11) of the Code may be immediately distributed without the consent of the Participant.

20.5 One-Time Application.

(a) In General. Only one "prohibited payment" meeting the requirements of Section 20.2(a) may be made with respect to any Participant during any period of consecutive Plan Years to which the limitations on "prohibited payments" under Section 20.2(a), 20.3(a), or 20.4 apply.

(b) Treatment of Beneficiaries. For purposes of this Section, a Participant and any Beneficiary on his behalf (including an alternate payee, as defined in Section 414(p)(8) of the Code) shall be treated as one participant. If the accrued benefit of a Participant is allocated to such an alternate payee and one or more other persons, the amount under Section 20.2(a) shall be allocated among such persons in the same manner as the accrued benefit is allocated unless the qualified domestic relations order (as defined in Section 414(p)(1)(A) of the Code) provides otherwise.

20.6 Provisions Applicable After Limitations Cease to Apply.

(a) Resumption of Prohibited Payments. If a limitation on prohibited payments under Section 20.2(a), Section 20.3(a), or Section 20.4 applied to the Plan as of a section 436 measurement date, but that limit no longer applies to the Plan as of a later section 436 measurement date, then that limitation does not apply to benefits with annuity starting dates that are on or after that later section 436 measurement date. In addition, after the section 436 measurement date on which the limitation on prohibited payments under Section 20.2(a) ceases to apply to the Plan, any Participant or Beneficiary who had an annuity starting date within the period during which that limitation applied to the Plan is permitted to make a new election (within 90 days after the section 436 measurement date on which the limit ceases to apply or, if later, 30 days after receiving notice of the right to make such election) under which the form of benefit previously elected is modified at a new annuity

starting date to be changed to a single sum payment, to the extent otherwise available under the Plan, for the remaining value of the Participant or Beneficiary's benefit under the Plan, subject to the other rules in this Article of the Plan and applicable requirements of Section 401(a) of the Code, including spousal consent.

Also, after the section 436 measurement date on which the limitation on prohibited payments under Section 20.3(a) ceases to apply to the Plan, any Participant or Beneficiary who had an annuity starting date within the period during which that limitation applied to the Plan is permitted to make a new election (within 90 days after the section 436 measurement date on which the limit ceases to apply or, if later, 30 days after receiving notice of the right to make such election) under which the form of benefit previously elected is modified at a new annuity starting date to be changed to a single sum payment, to the extent otherwise available under the Plan, for the remaining value of the Participant or Beneficiary's benefit under the Plan, subject to the other rules in this Article of the Plan (including Section 20.2(a)) and applicable requirements of Section 401(a) of the Code, including spousal consent.

(b) Resumption of Benefit Accruals. If a limitation on benefit accruals under Section 20.3(c) applied to the Plan as of a section 436 measurement date, but that limitation no longer applies to the Plan as of a later section 436 measurement date, then benefit accruals shall resume prospectively and that limitation does not apply to benefit accruals that are based on service on or after that later section 436 measurement date, except as otherwise provided under the Plan. The Plan shall comply with the rules relating to partial years of participation and the prohibition on double proration under Department of Labor regulation 29 CFR § 2530.204-2(c) and (d). In addition, benefit accruals that were not permitted to accrue because of the application of Section 20.3(c) shall be restored when that limitation ceases to apply if the continuous period of the limitation was 12 months or less and the Plan's enrolled actuary certifies that the adjusted funding target attainment percentage for the Plan Year would not be less than 60 percent taking into account any restored benefit accruals for the prior Plan Year.

(c) Shutdown and Other Unpredictable Contingent Event Benefits. If an unpredictable contingent event benefit with respect to an unpredictable contingent event that occurs during the Plan Year is not permitted to be paid after the occurrence of the event because of the limitation of Section 20.3(b), but is permitted to be paid later in the same Plan Year (as a result of additional contributions or pursuant to the enrolled actuary's certification of the adjusted funding target attainment percentage for the Plan Year that meets the requirements of § 1.436-1(g)(5)(ii)(B) of the Treasury Regulations), then that unpredictable contingent event benefit shall be paid, retroactive to the period that benefit would have been payable under the terms of the Plan (determined without regard to Section 20.3(b)). If the unpredictable contingent event benefit does not become payable during the Plan Year in accordance with the preceding sentence, then the Plan is treated as if it does not provide for that benefit.

(d) Treatment of Plan Amendments That Do Not Take Effect. If a Plan amendment does not take effect as of the effective date of the amendment because of the limitation of Section 20.2(b) or Section 20.3(c), but is permitted to take effect later in the

same Plan Year (as a result of additional contributions or pursuant to the enrolled actuary's certification of the adjusted funding target attainment percentage for the Plan Year that meets the requirements of § 1.436-1(g)(5)(ii)(C) of the Treasury Regulations), then the Plan amendment must automatically take effect as of the first day of the Plan Year (or, if later, the original effective date of the amendment). If the Plan amendment cannot take effect during the same Plan Year, then it shall be treated as if it were never adopted, unless the Plan amendment provides otherwise.

20.7 Notice Requirement. See Section 101(j) of ERISA for rules requiring the plan administrator of a single employer defined benefit pension plan to provide a written notice to participants and beneficiaries within 30 days after certain specified dates if the plan has become subject to a limitation described in Section 20.2(a), Section 20.3, or Section 20.4.

20.8 Methods to Avoid or Terminate Benefit Limitations. See Section 436(b)(2), (c)(2), (e)(2), and (f) of the Code and § 1.436-1(f) of the Treasury Regulations for rules relating to employer contributions and other methods to avoid or terminate the application of the limitations set forth in Sections 20.2 through 20.4 for a Plan Year. In general, the methods a Plan sponsor may use to avoid or terminate one or more of the benefit limitations under Sections 20.2 through 20.4 for a Plan Year include employer contributions and elections to increase the amount of Plan assets which are taken into account in determining the adjusted funding target attainment percentage, making the Employer contribution that is specifically designated as a current year contribution that is made to avoid or terminate application of certain of the benefit limitations, or providing security to the Plan.

20.9 Special Rules.

(a) Rules of Operation for Periods Prior to and After Certification of Plan's Adjusted Funding Target Attainment Percentage.

(i) In General. Section 436(h) of the Code and § 1.436-1(h) of the Treasury Regulations set forth a series of presumptions that apply (1) before the Plan's enrolled actuary issues a certification of the Plan's adjusted funding target attainment percentage for the Plan Year and (2) if the Plan's enrolled actuary does not issue a certification of the Plan's adjusted funding target attainment percentage for the Plan Year before the first day of the 10th month of the Plan Year (or if the Plan's enrolled actuary issues a range certification for the Plan Year pursuant to § 1.436-1(h)(4)(ii) of the Treasury Regulations but does not issue a certification of the specific adjusted funding target attainment percentage for the Plan by the last day of the Plan Year). For any period during which a presumption under Section 436(h) of the Code and § 1.436-1(h) of the Treasury Regulations applies to the Plan, the limitations under Sections 20.2 through 20.4 are applied to the Plan as if the adjusted funding target attainment percentage for the Plan Year were the presumed adjusted funding target attainment percentage determined under the rules of Section 436(h) of the Code and § 1.436-1(h)(1), (2), or (3) of the Treasury Regulations. These presumptions are set forth in Section 20.9(a)(ii) through (iv).

(ii) Presumption of Continued Underfunding Beginning First Day of Plan Year. If a limitation under Section 20.2, 20.3, or 20.4 applied to the Plan on the last day of the preceding Plan Year, then, commencing on the first day of the current Plan Year and continuing until the Plan's enrolled actuary issues a certification of the adjusted funding target attainment percentage for the Plan for the current Plan Year, or, if earlier, the date Section 20.9(a)(iii) or Section 20.9(a)(iv) applies to the Plan:

(A) The adjusted funding target attainment percentage of the Plan for the current Plan Year is presumed to be the adjusted funding target attainment percentage in effect on the last day of the preceding Plan Year; and

(B) The first day of the current Plan Year is a section 436 measurement date.

(iii) Presumption of Underfunding Beginning First Day of 4th Month. If the Plan's enrolled actuary has not issued a certification of the adjusted funding target attainment percentage for the Plan Year before the first day of the 4th month of the Plan Year and the Plan's adjusted funding target attainment percentage for the preceding Plan Year was either at least 60 percent but less than 70 percent or at least 80 percent but less than 90 percent, or is described in § 1.436-1(h)(2)(ii) of the Treasury Regulations, then, commencing on the first day of the 4th month of the current Plan Year and continuing until the Plan's enrolled actuary issues a certification of the adjusted funding target attainment percentage for the Plan for the current Plan Year, or, if earlier, the date Section 20.9(a)(iv) applies to the Plan:

(A) The adjusted funding target attainment percentage of the Plan for the current Plan Year is presumed to be the Plan's adjusted funding target attainment percentage for the preceding Plan Year reduced by 10 percentage points; and

(B) The first day of the 4th month of the current Plan Year is a section 436 measurement date.

(iv) Presumption of Underfunding On and After First Day of 10th Month. If the Plan's enrolled actuary has not issued a certification of the adjusted funding target attainment percentage for the Plan Year before the first day of the 10th month of the Plan Year (or if the Plan's enrolled actuary has issued a range certification for the Plan Year pursuant to § 1.436-1(h)(4)(ii) of the Treasury Regulations but has not issued a certification of the specific adjusted funding target attainment percentage for the Plan by the last day of the Plan Year), then, commencing on the first day of the 10th month of the current Plan Year and continuing through the end of the Plan Year:

(A) The adjusted funding target attainment percentage of the Plan for the current Plan Year is presumed to be less than 60 percent; and

(B) The first day of the 10th month of the current Plan Year is a section 436 measurement date.

(b) New Plans, Plan Termination, Certain Frozen Plans, and Other Special Rules.

(i) First 5 Plan Years. The limitations in Section 20.2(b), Section 20.3(b), and Section 20.3(c) do not apply to a new Plan for the first 5 Plan Years of the Plan, determined under the rules of Section 436(i) of the Code and § 1.436-1(a)(3)(i) of the Treasury Regulations.

(ii) Plan Termination. The limitations on prohibited payments in Section 20.2(a), Section 20.3(a), and Section 20.4 do not apply to prohibited payments that are made to carry out the termination of the Plan in accordance with applicable law. Any other limitations under this Article of the Plan do not cease to apply as a result of termination of the Plan.

(iii) Exception to Limitations on Prohibited Payments Under Certain Frozen Plans. The limitations on prohibited payments set forth in Sections 20.2(a), 20.3(a), and 20.4 do not apply for a Plan Year if the terms of the Plan, as in effect for the period beginning on September 1, 2005, and continuing through the end of the Plan Year, provide for no benefit accruals with respect to any Participants. This Section 20.9(b)(iii) shall cease to apply as of the date any benefits accrue under the Plan or the date on which a Plan amendment that increases benefits takes effect.

(iv) Special Rules Relating to Unpredictable Contingent Event Benefits and Plan Amendments Increasing Benefit Liability. During any period in which none of the presumptions under Section 20.9(a) apply to the Plan and the Plan's enrolled actuary has not yet issued a certification of the Plan's adjusted funding target attainment percentage for the Plan Year, the limitations under Section 20.2(b) and Section 20.3(b) shall be based on the inclusive presumed adjusted funding target attainment percentage for the Plan, calculated in accordance with the rules of § 1.436-1(g)(2)(iii) of the Treasury Regulations.

(c) Special Rules Under PRA 2010.

(i) Payments Under Social Security Leveling Options. For purposes of determining whether the limitations under Section 20.2(a) or 20.3(a) apply to payments under a social security leveling option, within the meaning of § 436(j)(3)(C)(i) of the Code, the adjusted funding target attainment percentage for a Plan Year shall be determined in accordance with the "Special Rule for Certain Years" under Section 436(j)(3) of the Code and any Treasury Regulations or other published guidance thereunder issued by the Internal Revenue Service.

(ii) Limitation on Benefit Accruals. For purposes of determining whether the accrual limitation under Section 20.3(c) applies to the Plan, the adjusted funding target attainment percentage for a Plan Year shall be determined in accordance with the "Special Rule for Certain Years" under Section 436G(3) of

the Code (except as provided under section 203(b) of the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010, if applicable).

20.10 Definitions. The definitions in the following Treasury Regulations apply for purposes of Sections 20.2 through 20.9: § 1.436-1 (j)(1) defining adjusted funding target attainment percentage; § 1.436-1(i)(2) defining annuity starting date; § 1.436-1(j)(6) defining prohibited payment; § 1.436-1(j)(8) defining section 436 measurement date; and § 1.436-1(j)(9) defining an unpredictable contingent event and an unpredictable contingent event benefit.

IN WITNESS WHEREOF, the Designated Employer has caused this instrument to be duly executed in its name and on its behalf, and in the name and on behalf of the Employer, as of this 24th day of February, 2022.

PPL SERVICES CORPORATION

By: Angela Gosman
Angela Gosman (Feb 24, 2022 13:21 EST)
Angela K. Gosman
Senior Vice President &
Chief Human Resources Officer

APPENDIX I

NEW ENGLAND ELECTRIC SYSTEM COMPANIES FINAL AVERAGE PAY PENSION PLAN I AS IN EFFECT THROUGH MARCH 30, 2000

1. New England Electric System Companies Final Average Pay Pension Plan effective as of April 1, 1972 signed February 22, 1973.
2. Amendment by substitution effective March 13, 1974.
3. Group Annuity Contract No. 139 GAC issued by John Hancock Mutual Life Insurance Company, effective December 30, 1943, and as amended through Amendment No. 64 effective April 1, 1972 signed March 13, 1974.
4. Variable Annuity Plan of New England Electric System Companies, effective August 1, 1963, and as amended through Amendment No. 5 effective April 1, 1972.
5. Group Annuity Contract No. 828 GAC issued by John Hancock Mutual Life Insurance Company, effective December 30, 1943, and as amended through Amendment No. 3 effective as of February 1, 1973.
6. Trust Agreement with State Street Bank and Trust Company, dated November 25, 1963, and as amended February 22, 1973.
7. Trust Agreement with First National Bank of Boston (formerly Old Colony Trust Company), dated November 25, 1963, and as amended February 22, 1973.
8. Director's Votes naming Participating Employer adopted at the Board of Director's Meeting of NEPSCO on April 23, 1973.
9. Directors' Votes specifying Early Retirement Factors adopted at the Board of Directors' Meetings of NEPSCO on March 26, 1974, Granite State on March 29, 1974, Mass. Electric on March 20, 1974, Narragansett Electric on March 20, 1974, and New England Power on March 26, 1974.
10. Directors' Votes increasing pension payments to retirees adopted at the Board of Directors' Meetings of NEPSCO on December 20, 1974, Granite State on December 27, 1974, Mass. Electric on December 18, 1974, Narragansett Electric on December 20, 1974, and New England Power on December 30, 1974.
11. Directors' Votes amending the Plan to conform to ERISA adopted at the Board of Directors' Meetings of NEPSCO on April 20, 1976, Granite State on June 25, 1976, Mass. Electric on June 16, 1976, Narragansett Electric on June 22, 1976, New England Power on June 30, 1976, and Yankee Atomic on June 25, 1976.
12. Directors' Votes giving additional benefits for those members of the Plan hired between April 1, 1969, and March 31, 1970, adopted at the Board of Directors' Meetings of

NEPSCO on June 22, 1976, Granite State on June 25, 1976, Mass. Electric on June 16, 1976, Narragansett Electric on June 22, 1976, New England Power on June 30, 1976, and Yankee Atomic on June 25, 1976.

13. Amendment by Substitution effective April 1, 1976.
14. Directors I Votes permitting participants receiving payments under Variable Annuity NEPSCO on October 13, 1978.
15. Amendment by Substitution effective May 1, 1979.
16. Directors I Votes amending measure of computation of variable benefit and amending a portion of Hours of Service section to conform to Department of Labor Regulations adopted at the Board of Directors Meeting of NEPSCO on January 21, 1981.
17. Directors' Votes increasing percentage multiplier for Years of service in excess of 30 and amending definition of compensation adopted at Board of Directors Meeting of NEPSCO on November 22, 1982.
18. Directors' Votes amending Section 2.24 adopted at Board of Directors Meeting of NEPSCO on May 23, 1983.
19. Directors' Votes amending Plan to provide benefits for Manchester Employees adopted at Board of Directors Meeting of NEPSCO on June 21, 1983.
20. Amendment by Substitution effective as of January 1, 1984.
21. Directors' Votes increasing percentage multiplier for Years of Service in excess of 30 adopted at Board of Directors Meeting of NEPSCO on May 21, 1984.
22. Directors' Votes amending the Plan, effective August 23, 1984, to provide automatic survivor benefits for spouses in conformance with the Retirement Equity Act of 1984, and amending the definition of compensation to include salary reduction contributions under 401(k) plans, adopted at Board of Directors Meeting of NEPSCO, on November 30, 1984.
23. Directors I Votes amending the definition of compensation to include salary reduction contributions under the New England Electric System Companies Section 125 Medical Benefit Payment Plan, adopted at Board of Directors Meeting of NEPSCO on February 26, 1986.
24. Amendment by Substitution effective as of January 1, 1985.
25. Directors' Vote amending the language of Basic Retirement Amount (6.1) by eliminating outdated language. This amendment was approved at the NEPSCO Board of Directors meeting on April 23, 1986.
26. Directors' Vote amending: Section 2.13, Compensation, to meet Yankee's concerns as to deferred compensation; Section 5.2, Early Retirement Date, eliminating the requirement

that 59 days elapse after notice of termination as a prerequisite for Early Retirement Benefits; by adding Section 5.5, Participants on Disability, so that retirement benefits cannot be granted simultaneously with short-term or long-term disability benefits; Section 6.4, Minimum Benefits, increasing benefits to a surviving spouse; Section 6.7, Postponed Retirement Income - Amount to insure individuals working after age 65 are no worse off than if they had left on their Normal Retirement Date; Section 6.9, Retiree Benefit Increases, to protect retirees against benefit loss due to inflation and Plan design; and by adding Section 10.4, Agent for Service, to meet a form requirement for government filings. All of these amendments were approved at the NEPSCO Board of Directors meeting on August 27, 1986.

27. Directors' Vote amending: Section 2.43, Retirement Administration Committee, by replacing it with Section 2.9, Benefits Committee; Section 2.44, Retirement Trust Committee, by replacing it with Section 2.10, Benefits Appeal Committee; Article II, V and VI, by eliminating Section 2.41, Postponed Retirement Date, 5.2, Postponed Retirement Date, and 6.7, Postponed Retirement Income - Amount, because the Code no longer allows benefits to be frozen after age 65; Section 3.1, Participants on April 1, 1988, by adding subsection 3.1(b) to allow those previously ineligible to become eligible in accordance with Code changes. All of these amendments were approved at the NEPSCO Board of Directors meeting on April 1, 1988.

28. Directors' Vote amending: Retirement Benefits Date, in order to comply with Section 401(a)(9) of the code; Section 4.7, Reemployment, because addition of Section 411(b)(1)(H) of the Code eliminates restraint on accrual of benefits beyond a Participant's Normal Retirement date; Section 5.6, Concurrent Retirement Benefits Date, in order to comply with Section 401(a)(9) of the Code; Section 5.3, Vesting, Section 411(a)(2) of the Code changes vesting period from ten years to five years; Section 6.3, Normal Retirement Income - Amount, Concurrent Retirement Benefits is added to the first paragraph so that calculation of benefits can be made when a Participant reaches his or her Concurrent Retirement Benefits Date; Section 6.8, Concurrent Retirement Benefits - Amount, in order to comply with Section 401(a)(9) of the Code. Sets out how payments are calculated when a Participant reaches his or her Concurrent Retirement Benefits Date and how benefits will be re-calculated at termination; Section 9.1, Waiver of Normal Form and Election of optional Form of Payment, adds provision stating that the waiver and election provision is effective against benefits payable as of the Participant's Concurrent Retirement Benefits Date and those benefits payable after termination; Section 9.4, Optional Forms of Payment, adds Concurrent Retirement Benefits Date to subparagraph 9.4(b)(ii); Section 1.3, Qualification and Effect, inserts April 1, 1988, as effective date of the amendment and restatement; Section 2.13, Compensation, Changes the Salary Reduction Medical Expense Plan to Section 125 Medical Benefit Payment Plan; Section 3.1, Participants on April 1, 1988, changes to reflect that Participants under the plan prior to the amendment continue as such after adoption of amended Plan; Section 3.2, Participants after April 1, 1988, amended due to changes to Normal Retirement Date (2.41) and Early Retirement Date (5.2); Section 4.8, Transfers, amended by removing "subsequent to the Effective Date"; Section 5.2, Early Retirement Date, employee who becomes a Participant after his or her 60th birthday will be eligible for Normal Retirement; Section 6.2, Normal Form of Payment, adds Concurrent Retirement Benefits Date to subsection 6.2(a) so that benefits

revert to a straight annuity if the Participant's Spouse should die while Participant is receiving Concurrent Retirement Benefits; Section 6.5, Early Retirement Income Amount, by changing the definition of Normal Retirement Date (2.41); Section 6.6, Deferred Vested Retirement Income Amount, by inserting "earliest" before Normal Retirement Date; Section 6.9, Retiree Benefit Increases, by deleting; Section 7.2, Amount of Spouse's Benefit, by adding subsection 7.2(c) which explains Pre-Retirement Spouse Benefit; Section 8.1, Termination of Employment - Manchester Employee, by including earliest prior to Normal Retirement Date; Section 8.2, Termination by Death, by including earliest prior to Normal Retirement Date where that date is critical; Section 9.2, Waiver Period, by including earliest prior to Normal Retirement Date where that date is critical. All of these amendments were approved at the NEPSCO Board of Directors meeting on November 21, 1988.

29. Directors' votes amending the benefit formula, taken by the Board of Directors of each Employer, the final vote being a unanimous written consent by the Board of Directors of NEPSCO dated as of March 29, 1991.
30. Amendment by substitution effective April 1, 1991.
31. Directors' Vote amending: Section 19.3(a), Payment of Benefits, in respect to vested benefits of any terminated employee; Section 6.6(b)(i), Early Retirement Income Amount, re participants who were employees of Yankee Atomic Electric prior to retirement and participants who were employees of a New England Electric System Company prior to retirement. These amendments were approved at the NEPSCO Board of Directors meeting on August 28, 1991.
32. Directors' Vote amending: Section 5.4, Vesting, by adding a second paragraph stating that a participant who is an employee of Yankee Atomic Electric Company whose termination date is between February 26, 1992, and December 31, 1993, shall be 100% the cessation of operations at the Rowe, Massachusetts plant; Addition of Supplement A at the end of the Plan regarding special voluntary early retirement program for certain employees of Yankee Atomic Electric Company. These amendments were approved at the NEPSCO Board of Directors meeting on May 19, 1992.
33. Directors' vote renumbering Article XVIII as XIX; addition of the following Definitions under Article II - 2.20, Eligible Retired Medical Participant means a Participant whose Termination date has occurred, who is eligible for retiree medical benefits under Employers' retiree medical program, and is not a key employee; 2.25, 401(h) Account means the account established in accordance with Section 18.1; 2.38 Medical Benefits means benefits related to medical expenses as defined in Section 213(d) of the Code; addition of Article XVIII Retiree Medical Account 18.1, 401(h) Account means establishment of an account as of January 1, 1992 by the Benefits Committee from which Medical Benefits may be paid to Eligible Retired Medical Participants. The account will be separate for record keeping purposes but need not be segregated from other assets of the Plan for investment purposes. No part of the corpus or income from the Account may be used for purposes other than medical. Amounts remaining after payment of benefits will be returned to the Employers; 18.2, Payment of Medical Benefits will be provided under

the Employers' retiree medical programs. Assets of the 401(h) Account will be available to provide benefits to any Eligible Retired Medical Participant without the need of a separate fund or subaccount; 18.3, Contributions to the 401(h) Account Employers may make direct contributions to the Account in any amount and at any time. Contributions are subject to general conditions relating to Plan contributions. The aggregate amount of the contributions for life insurance protection shall not exceed 25 percent of the total actual contributions of the Plan under Sections 18.3 and 11.1. Forfeitures must be applied to reduce Employer contributions to fund such benefits. These amendments were approved at the NEPSCO Board of Directors Meeting on November 25, 1992.

34. Directors' Vote adding: Supplement B, Special Early Retirement Program, effective February 1, 1993. Sets forth provisions regarding special voluntary early retirement program for certain NEES company employees. This amendment was approved by the NEPSCO Board of Directors by Unanimous Written Consent on February 5, 1993.
35. Directors' Vote amending: Subsection 4.3(b), Hours of Service means hour for which an Employee is paid for time during which no duties were performed; provided that not more than the greater of (i) 1001 Hours of service less the number of Hours otherwise earned in the Plan Year, or (ii) This amendment was approved at the NEPSCO Board of Directors Meeting on March 31, 1993.
36. Directors' Vote amending: Section 2.13, Compensation is defined to clarify the method of calculation and to conform to the definition of compensation used in FAPP II; Section 2.24, Final Average Compensation amended to determine Final Average Compensation on a rolling average basis as opposed to anniversary basis and decreases the amount of annual compensation used under the Plan from \$200,000 to \$150,000 and clarifies without change the last sentence; Section 3.2, Participants After April 1, 1991 amended by striking subsection (b) regarding employment subsequent to March 31, 1991; Section 3.2A, Participants after November 30, 1993 definition added (the Board voted to add this section "substantially in the form" however, it was never executed by an officer in the original format); Section 4.3, Hour of Service amended to provide for the use of equivalencies in determining Years of Service for purposes of service credit, vesting and breaks in service; Section 9.1, Waiver of Normal Form and Election of Optional Form of Payment amended to clarify the meaning of consent of spouse; Section 18.3, Payment of Benefits added to eliminate PBGC premiums for employees during their first year of employment and for those who leave unvested. These amendments were approved at the NEPSCO Board of Directors Meeting on November 24, 1993. Sections 3.2 and 18.3 became effective April 1, 1994 and sections 2.13, 2.24, 4.3, and 9.1 became effective January 1, 1994.
37. Directors' Vote amending: Section 2.24, Final Average Compensation changes the starting date of computation of earnings from January to April 1, 1994; Section 6.4, Minimum Benefit adds subpart (f) to reflect the \$150,000 limit on Compensation made effective April 1, 1994. These amendments were approved at the NEPSCO Board of Directors Meeting on February 28, 1994.
38. Directors' Vote amending: Section 2.13, Compensation defined to exclude Yankee merit award bonuses and include Yankee 125 medical benefit plan contributions; Section 2.21,

Employee specifically excludes certain individuals from the definition of Employee, such as independent contractors, in order to ensure that such parties could not make a future claim against the plan or a NEES company for benefits; Section 2.24, Final Average Compensation clarifies the prior amendment that was made to implement the use of equivalencies under Section 4.3 Hour of Service; Section 3.1, Participants on November 30, 1993, changed to work consistently with Section 3.2, Participants after November 30, 1993; Section 3.2, Participants after November 30, 1993 modified language to ensure participants' benefits are not adversely affected by the one-year delay in participation, which change minimizes PBGC premium paid by plan; Section 4.1, Years of Service clarifies that re-employed participants will, if a full year of service has not been attained, be credited with the pro-rata partial service credit in the year of re-employment and the last year of employment prior to re-employment; Section 4.3, Hour of Service provides that individuals who are re-employed after having commenced receiving pension income (in accordance with subsection 4.7(d)) will have their Hours of Service counted on an actual hour basis rather than an equivalency basis. This change was made because the equivalency basis makes 4.7 (d) inoperable since part-time employees work partial work-weeks over the course of the year; Section 5.7, Benefits During Employment added to clarify, save for certain specified exceptions, a participant may not collect a pension while employed by an Employer; Section 9 .4 , Optional Forms of Payment clarifies that the Social Security adjustment option may be elected in conjunction with other options. Section 12.6 Powers and 12 .10 Authority to Act clarified to show that there may be entities other than the insurance company payment administrator and trustee that may have possession of the plan assets for investment purposes. These amendments were approved at the NEPSCO Board of Directors Meeting on May 25, 1994.

39. Amendment by Substitution effective January 1, 1995.
40. Directors Vote amending Section 2.25, Final Average Compensation, to include the Participant's highest average twelve-month Compensation during any consecutive sixty month period of employment or total employment if less than sixty months within the last one hundred and twenty months of employment; provided that on or after April 1, 1994, no more than \$150,000 annually of Compensation shall be considered in computing Final Average Compensation. This amendment was approved at the NEPSCO Board of Directors Meeting on February 9, 1996.
41. Directors Vote amending Section 2.14, Compensation as to payments made on or after 1/1/96, such earnings shall exclude Yankee Atomic Electric Company lump sum payments. This Amendment was approved at the NEPSCO Board of Directors Meeting on February 28, 1996.
42. Directors' Vote amending Section 2.14, Compensation adding language excluding shares allocated or actual shares granted under The New England Electric Companies Long-Term Performance Share Awarded Plan; New Section 2.25a, Final Average Transferred Compensation means the highest average of the Transferred participant's twelve-month Transferred Compensation during any consecutive sixty-month period of employment (or during total employment if less than sixty months) within the last one hundred twenty months of employment; however, on or after April 1, 1994, no more than \$150,000

annually of Transferred Compensation shall be taken into account in computing Final Average Transferred Compensation. Bonuses are excluded from Final Average Transferred Compensation. Consecutive months of employment shall not include approved leaves of absence during which time the employee received disability payments; New Section 2.53a, Transferred Compensation defined as payments made prior to 1/1/85 which include salesman's commission but exclude: overtime pay, bonuses, reimbursement of expenses, payments made from medical retirement, short-term disability, etc. Payments after 1/1/85 shall include salesman' commissions and contributions made by an Employer under various Company plans. But, excludes overtime pay, bonuses, awards, reimbursement of expenses, etc.; New Section 2.53(b), Transferred Employee means an individual transferred to the Northborough Customer Service Center who before such transfer was covered by a collective bargaining agreement; Section 6.1 amended by adding new subsection (c) which sets out the calculation for the Basic Retirement Amount for a Transferred Employee under the Plan; Section 6.6 amended by addition of t a b l e s to calculate Basic Retirement Amount for a Transferred Employee. These amendments were approved at the NEPSCO Directors Meeting on May 22, 1996.

43. Directors Vote amending Section 2.14, Compensation definition as to payments made on or after 12/1/96. Earnings shall exclude Yankee Atomic Electric Company merit lump sum payments. Section 2.22, Employee, shall not include individuals classified by Yankee Atomic Electric Company as "associate employees". These amendments were approved at the NEPSCO Directors Meeting on August 28, 1996.
44. Directors Vote amending Section 5.7, Benefits During Employment amended to clarify the circumstances under which an individual may not begin to collect a pension benefit while working for a non-participating affiliated employer; Sections 4.6, Additional Service Credits and 5.4 Vested Terminations amended to provide for the granting of vesting service credit for employees of companies that fall within a "control group" and employees who go to work for certain other non-participating affiliated employers. The "control group" credit is required under BRISA (applies to 80% owned affiliates and subsidiaries); Supplement C to The New England Electric System Companies' Final Average Pay Pension Plan I which forms a part of the Plan sets forth special provisions of the Plan pertaining to the merger of the Nantucket Electric Company Employee Pension Plan (union and non-union with and into the Plan. These amendments were approved at the NEPSCO Directors Meeting on December 2, 1996.
45. Directors Vote amending subsection (a) of Section 17.1, Events Constituting Termination, amended to reflect that the spin-off of Yankee Atomic Participants and the termination of participation in the Plan by Yankee Atomic shall not constitute a partial termination of the Plan; Section 19.14, Provisions Relating to Yankee Atomic Spin-off, adds provisions governing the spin-off of certain Plan assets and Plan liabilities with respect to Yankee Atomic Participants. Amendments approved by Action take by unanimous Written Consent by the NEPSCO Board of Directors on July 24, 1997.
46. Directors Vote to execute an amended and restated Plan document at Nepsco Board of Directors meeting on November 25, 1997.

47. Directors Vote to amend the Plan by the addition of the Special Voluntary Early Retirement Offer for Non-Union Employees, Supplement D at NEPSCO Board of Directors meeting on November 25, 1997.
48. Directors Vote to amend the Plan to provide that each Participant who is receiving payments under the Variable Annuity Plan may elect, in accordance with procedures to be established by the Benefits Committee, to convert his or her variable benefit to a fixed benefit. This amendment was approved at the NEPSCO Board of Directors meeting on May 27, 1998.
49. Directors Vote to amend the Plan to provide that any Participant's Accrued Benefit shall be 100% vested after five Years of Service. Further, any Participant who is an employee of a New England Electric System Company whose Termination Date is between April 1, 1998 and March 31, 1999, shall be 100 % vested in his or her Accrued Benefit, provided that the Participant's termination was either (a) involuntary and resulted from restructuring of the electric utility industry or (b) immediately followed by employment by U.S. Generating Company pursuant to the sale of the New England Electric System approved by the NEPSCO Board of Directors meeting on November 25, 1998.
50. Directors Vote to amend the Plan to incorporate the interest and mortality rate assumptions required under the general Agreements on Tariffs and Trade ("GATT"). This amendment was approved by the NEPSCO Board of Directors meeting on July 15, 1999.
51. Directors Vote to amend the Plan to incorporate the Year 2000 Voluntary Early Retirement Offer. This amendment was approved by the NEPSCO Board of Directors meeting on July 15, 1999.

FOLLOWING PLAN REDESIGN

1. Directors Vote to (i) amend, restate and rename the Plan the National Grid USA Companies' Final Average Pay Pension Plan and (ii) merge the New England Electric System Companies' Final Average Pay Pension Plan II and the Employees' Retirement Plan of Eastern Utilities into the Plan, effective March 31, 2000. The amendment and restatement of the Plan was approved by the National Grid USA Service Company Board of Directors by Unanimous Written Consent on March 15, 2000. In addition to the name change and the plan mergers, the amended and restated Plan: (i) revises the definition of Compensation to eliminate references to the National Grid USA Companies' Goal Program and clarifies certain bonus references (Section 2.14); (ii) substitutes references to National Grid USA for references to New England Electric System and New England Power Service Company as needed, (iii) revises the definition of Employee to include leased employees for vesting service credit purposes in accordance with applicable law (Section 2.25); (iv) without changing the definition substantively, revises the definition of Normal Retirement Date in accordance with applicable law (Section 2.50); (v) adds a provision which states that if National Grid adopts a new vesting schedule for the Plan, existing participants will not be detrimentally affected (Section 5.8); (vi) revises the Basic Retirement Amount for certain participants to reflect the retirement income adjustment provided under Appendix IV (Section 6.1(a)(vi)); (vii) clarifies that if a participant has years of service as both a nonunion employee and a union employee, the participant's benefit is determined based on the definition of compensation that corresponds with his or her status and service as a nonunion or as a union employee, but using whichever benefit formula the participant retires under subject to anti-cutback rules under applicable law (Section 6.6(f) and 19.3(c)); (viii) incorporates a minimum monthly benefit for nonunion employees (Section 6.6(h)); (ix) incorporates certain provisions required by law regarding top heavy plan years (Section 15.4); (x) reflects that the "applicable interest rate" for calculating benefits is determined with respect to the Plan Year a participant's distribution occurs (Section 19.3); (xi) revises the terms of the 2000 Voluntary Early Retirement Program to use the lower of the available interest rates for determining lump sum values regardless of the electing employee's annuity commencement date (Supplement B); and (xii) eliminates references to Transferred Employees. The interest rate change for the 2000 Voluntary Early Retirement Program described in item (xi) above was approved pursuant to a Board of Directors vote taken on April 26, 2000.

APPENDIX IA

NEW ENGLAND ELECTRIC SYSTEM COMPANY AVERAGE PAY PENSION PLAN II AS IN EFFECT THROUGH MARCH 30, 2000

- A. New England Electric System companies Final Average Pay Pension Plan II
1. New England Electric System Companies Final Average Pay Pension Plan II effective as of March 1, 1978, signed March 27, 1980.
 2. Amendment by Substitution effective as of April 1, 1978.
 3. Directors' Votes amending measure of computation of variable benefit and amending a portion of Hours of service section to conform to Department of Labor Regulations adopted at the Board of Directors Meetings of NEPSCO on January 21, 1981.
 4. Director's Votes specifying that the Plan is a simple or multiple employer, and not a multiemployer plan adopted at the Board of Directors Meeting of NEPSCO on September 18, 1981.
 5. Directors' Votes increasing percentage multiplier for Years of Service in excess of 30 adopted at Board of Directors Meeting of NEPSCO on November 22, 1982.
 6. Directors' Votes amending Section 2.29 adopted at Board of Directors Meeting of NEPSCO on May 23, 1983.
 7. Directors' Votes amending Plan to provide benefits for Manchester Employees adopted at Board of Directors Meeting of NEPSCO on June 21, 1983.
 8. Amendment by Substitution effective as of January 1, 1984.
 9. Directors' Votes increasing percentage multiplier for Years of Service in excess of 30 adopted at Board of Directors Meeting of NEPSCO on May 21, 1984.
 10. Directors' Votes amending the Plan, effective August 23, 1984, to provide automatic survivor benefits for spouses in conformance with the Retirement Equity Act of 1984, and amending the definition of compensation to include salary reduction contributions under 401(k) plans, adopted at Board of Directors Meeting of NEPSCO on November 30, 1984.
 11. Directors' Votes amending the definition of compensation to include salary reduction contributions under the New England Electric System Companies Section 125 Medical Benefit Payment Plan, adopted at Board of Directors Meeting of NEPSCO on February 26, 1986.
 12. Amendment by substitution effective as of January 1, 1985.

13. Directors' Votes amending: Section 5.2, Early Retirement Date, by eliminating the requirement that 59 days elapse after notice of termination as a prerequisite for Early Retirement Benefits; Article V by adding 5. 5, Participants on Disability, to resolve an issue raised when revising SPD's for personnel; 6.1, Basic Retirement Amount, to correct the omission of Yankee Union from this Section; 6.6, Minimum Benefit, to insure that Spouses receive a minimum benefit; 6.9, Postponed Retirement Date, to insure that individuals working after age 65 are no worse off than if they had left on their Normal Retirement Date; 6.11, Retiree Benefit Increase, by adding a one time increase to protect retirees against loss due to inflation and earlier Plan design; and Article X by adding 10.4, Agent for Service, in order to comply with IRS requirements. All of the above amendments were approved at the NEPSCO Board of Directors meeting on August 27, 1986.
14. Director's Vote amending: 2.33, High Three Years, by substituting Section 415 Compensation for aggregate compensation, in order to comply with the Code; Article II by adding 2.55, Section 415 Compensation, in order to comply with the Code; 4.5, Hours of Service Accumulated Solely for Service Continuity, by removing "eligibility service" where ever it appeared, because that language is not necessary; 6.10, Minimum Benefit, by replacing average compensation with Section 415 Compensation, and by adding subsections (a)(3) and (4) in order to comply with the Code; 9.2, Waiver Period, by designating a 90 day period for waiving the normal form of payment and electing an optional form, to be in conformity with the Code; and 17.4, Payment of Benefits, by adding an alternative means of determining a single lump sum payment of benefits distributable to a Participant. All of the above amendments were approved at the NEPSCO Board of Directors meeting on March 25, 1987.
15. Directors' Vote amending: Section 2.51, Retirement Administration Committee, by replacing it with Section 2.10, Benefits Committee; Section 2.52, Retirement Trust Committee, by replacing it with Section 2.11, Benefits Appeal Committee; Article II, V and VI, by eliminating Section 2.41, Postponed Retirement Date, 5.2, Postponed Retirement Date, and 6.7, Postponed Retirement Income - Amount, because the Code no longer allows benefits to be frozen after age 65, thereby obviating the need for those provisions; Section 3.1, Participants on April 1, 1988, by adding subsection 3.1(b) to allow previously ineligible Employees to become Participants in accordance with changes to the Code. All of the above amendments were approved at the NEPSCO Board of Directors meeting on April 1, 1988.
16. Directors' Vote adding, as Supplement A to the Plan, a voluntary early retirement program for certain Yankee Atomic Electric Company employees. This addition was approved at the NEPSCO Board of Directors meeting on May 1, 1992.
17. Directors' Vote amending: Sections 1.3, Qualification and Effect, to reflect an effective date of the various amendments incorporated into the Plan at the time; section 1.5, Supplement A, to reference the YAEC early retirement program; sections 2.13, Compensation, and 4.3, Hour of Service, to add subsections (c) and (d), respectively, in order to have base pay attributable to, and hours spent by an

Employee union representative on union business, included under these provisions as agreed during collective bargaining; by deleting section 2.17, Continuous Service, and amending section 4.1, Years of Service, in order that the plan reflect current break in service rules (rather than those contained in earlier plan documents) for participants who retire on or after June 1, 1992, as agreed during collective bargaining; by deleting sections 2.21, 828 Accrued Benefit, 2.23, 828 Annual Additions, 2.24, 828 Basic Retirement Amount, 2.26, 828 Interest, and 6.2, 828 Basic Retirement Amount, and amending sections 2.21, 828 Participant, 6.4, 828 Normal Retirement Income - Amount, 6.5, Minimum Benefit, 6.6, Early Retirement Income - Amount, 6.7, Deferred Vested Retirement Income - Amount, and 16.3, Allocation of Assets, to provide 828 participants who retire on or after June 1, 1992, with a benefit computed utilizing the plans basic retirement formula in accordance with the terms of the recently negotiated collective bargaining agreements; section 7.2, Amount of Spouse's Benefit, to provide that if a participant dies while employed by the company and would have otherwise been eligible for retirement benefits under the plan, her/his surviving Spouse is entitled to a pre-retirement spouse benefit equivalent to a 100% contingent annuitant benefit, as agreed during collective bargaining; sections 2.42, Normal Retirement Date, 2.50, Social Security Amount, 5.2, Early Retirement Date, and 9.5, Limitation on Distributions to Beneficiaries and Contingent Annuitants, for clarification purposes to ensure compliance with the Internal Revenue Code; sections 2.13, compensation, 4.7, Reemployment, 5.5, Concurrent Retirement Benefits Date, 6.8, Concurrent Retirement Benefits - Amount, 7.3, Payment of Spouse's Benefit, and 9.2, Waiver Period, to clarify current plan operations; and other provisions in a non-substantive manner. All of the above amendments were made pursuant to a vote taken by the NEPSCO Board of Directors at their June 16, 1992 meeting.

18. Directors' Vote renumbering Article XXVI as XXVII and by the addition of Sections 2.21A, 2.26A, 2.39A, and Article XXVII. Adopted at Board of Directors' Meeting of NEPSCO, on November 25, 1992.
19. Director's Vote dated March 31, 1993, amending 2.13(c), Compensation, to clarify that counting hours an Employee spends on union business only applies to NEES company employees.
20. Director's Vote dated August 25, 1993, and Yankee Board vote dated June 11, 1993, amending 6.1, Basic Retirement Amount, to reflect a change in calculation factor for Yankee plan participants who are hired on or after June 1, 1993.
21. Director's Vote dated November 24, 1993, amending: 2.13, Compensation, to clarify that a participant who was previously a FAPP I participant will have the definition of Compensation under said plan apply to years that she/he participated in said plan and to implement a rolling average determination of Compensation; 2.26, Final Average Compensation, to reflect the Federally mandated \$150,000 limit on compensation and to implement a rolling average determination of Final Average Compensation; 3.2, Participants after April 1, 1988, to provide that new employees will not become participants in the plan until after having been an

employee for one year; 4.3, Hour of Service, to institute a system of equivalencies in lieu of counting actual hours of service; 9.1, Waiver of Normal Form and Election of Optional Form of Payment, to modify how the Benefits Committee will deal with circumstances were a spouse cannot be located; 18.5, Payment of Benefits, to provide that non-vested terminated participants will be deemed to have received a lump sum distribution.

22. Director's Vote dated May 25, 1994, amending (or adding, as the case may be): 2.13, Compensation, to exclude Yankee merit award bonuses from the definition of Compensation and include Yankee 125 medical benefit plan contributions; 3.2, Participants after April 1, 1988, to modify recently amended language in order to ensure that participants' benefits are not adversely affected by the recently added one year delay in participation, which change was intended merely to minimize PBGC premiums paid by the plan; 4.1, Years of Service, to clarify that reemployed participants will be credited with the prorata partial service credit in the year of reemployment and the last year of employment prior to reemployment if a full Year of Service has not been attained; 4.3, Hour of Service, to provide that individuals who are reemployed after having commenced receiving pension income (in accordance with subsection 4.7(d)) will have their Hours of Service counted on an actual hour basis rather than an equivalency basis; 5.6, Benefits During Employment, (added) in order to clarify that, save for certain specified exceptions, a participant may not collect a pension while employed by an Employer; 9.4, Optional Forms of Payment, to clarify that the social security adjustment option may be elected in conjunction with other options; 12.6, Powers, and 12.10, Authority to Act, to clarify that there may be entities other than the insurance company payment administrator and trustee that may have possession of plan assets for investment purposes; 18.5, Payment of Benefits, to be consistent with FAPP I and in a manner that satisfies the requirements of IRC Regulation Section 1.417(e)-1(d)(3).
23. Directors Vote amending Section 2.26, Final Average Compensation to include the Participant's highest average twelve-month Compensation during any consecutive sixty-month period of employment or total employment if less than sixty months within the last one hundred and twenty months of employment; provided that on or after January 1, 1994, no more than \$150,000 annually of Compensation shall be considered in computing Final Average Compensation; Section 18.5 is amended to set forth the method of direct trustee-to-trustee transfer of 'eligible rollover distributions' to an eligible retirement plan. These amendments were approved at the NEPSCO Board Meeting on February 9, 1996.
24. Directors Vote amending Section 2.13 by adding new sub-section (d) which states that other than for Yankee Atomic Electric Company employees, such earnings shall include guaranteed lump sum payments. This amendment was approved at the NEPSCO Board Meeting on February 28, 1996.
25. Directors Vote adding Section 1.6 and Supplement B to form part of the Plan. Supplement B sets forth special provisions of the Plan pertaining to the merger of

that portion of the NEES Companies' Final Average Pay Pension Plan I attributable to "Nantucket Union Employees" with the into the Plan. This amendment was approved at the NEPSCO Board Meeting on December 2, 1996.

26. Directors Vote amending Subparagraph (6) of paragraph 16.1, Events Constituting Termination, to reflect that the spin-off of Yankee Atomic participants and the termination of participation in the Plan by Yankee Atomic shall not constitute a termination or partial termination of the Plan; Section 18.12, Provisions Relating to the Yankee Atomic Spin-off, adds provisions governing the spin-off of certain Plan assets and Plan liabilities with respect to Yankee Atomic Participants. Amendments approved by Action taken by Unanimous Written Consent by the NEPSCO Board of Directors on July 24, 1997.
 27. Directors Vote to execute an amended and restated Plan document at NEPSCO Board of Directors meeting on November 25, 1997.
 28. Directors Vote to amend the Plan by the addition of the Special Voluntary Early Retirement Offer for Union Employees, Supplement D at the NEPSCO Board of Directors meeting on February 25, 1998.
 29. Directors vote to amend the Plan to provide that any Participant who is an employee of a New England Electric System company whose termination date is between April 1, 1998 and March 31, 1999, shall be 100% vested in his or her Accrued Benefit, provided that the Participant's termination was either (a) voluntary and resulted from restructuring of the electric utility industry or (b) immediately followed by employment by U.S. Generating Company pursuant to the sale of the New England Electric System companies' generation business to U.S. Generating Company. This amendment was approved at the NEPSCO Board of Directors meeting on November 25, 1998.
 30. Directors Vote to amend the Plan to incorporate the interest and mortality rate assumptions required under the General Agreements on Tariffs and Trade ("GATT"). This amendment was approved by the NEPSCO Board of Directors meeting on July 15, 1999.
 31. Directors Vote to merge the Plan into the National Grid USA Companies' Final Average Pay Pension Plan effective March 31, 2000.
- B. New England Electric System Companies' Career Average Pay Plan effective as of April 1, 1976.
- C. The 828 Plan.

Group Annuity Contract No. 828 GAC issued by John Hancock Mutual Life Insurance Company, effective December 30, 1943, as amended through Amendment No. 4 effective as of April 1, 1976.

Agreement as to wages, working conditions and seniority between The Narragansett Electric Company, New England Power Service Company and Local Nos. 310 and 314 of the Brotherhood of Utility Workers of New England, Incorporated, March 4, 1978 through March 3, 1980.

Agreement as to wages, working conditions and seniority between Massachusetts Electric Company, New England Power Company and Local Union Nos. 446, 454, and 464 of the Utility Workers Union of America, AFL-CIO, March 21, 1978 through March 20, 1980.

Directors' Votes specifying Early Retirement Factors adopted at the Board of Directors' Meetings of NEPSCO on March 26, 1974, Mass. Electric on March 20, 1974, Narragansett Electric on March 20, 1974, and New England Power on March 26, 1974.

Directors' Votes increasing pension payments to retirees adopted by the Board of Directors' Meetings of NEPSCO on December 20, 1974, Granite State on December 27, 1974, Mass. Electric on December 18, 1974, Narragansett Electric on December 20, 1974, and New England Power on December 30, 1974.

Directors' Votes amending the Plan to conform to ERISA adopted at the Board of Directors' Meetings of NEPSCO on April 20, 1976, Granite State on June 25, 1976, Mass. Electric on June 16, 1976, Narragansett Electric on June 22, 1976, and New England Power on June 30, 1976.

APPENDIX IV

BASIC RETIREMENT BENEFIT ADJUSTMENT FOR ELIGIBLE PARTICIPANTS

1. **Eligible Class; Applicability of Provisions.** The provisions of this Appendix are effective as of March 1, 2000 and shall apply to certain Participants identified by their respective social security numbers on a schedule maintained by the Committee (and forming part of the Plan) known as the "Benefit Adjustment Schedule under Appendix IV of the National Grid USA Companies' Final Average Pay Pension Plan." As used in this Appendix, the term "eligible Participant" shall mean a Participant identified on such Benefit Adjustment Schedule.
2. **Benefit Adjustment.** Subject to any reduction necessary to comply with Section 6.7, the Basic Retirement Amount of an eligible Participant shall be increased by the amount set forth on the Benefit Adjustment Schedule. Notwithstanding any provision of the Plan or this Appendix IV to the contrary, the amount provided to an eligible Participant in connection with this Appendix IV shall not equal or exceed an amount determined by the Plan's actuary to be discriminatory under section 401(a)(4) or 415(b) of the Code (and the applicable regulations thereunder), and the Committee shall be authorized to take such actions necessary to ensure such discrimination does not occur (including reducing the amount of the benefit provided to an eligible Participant pursuant to this Appendix IV or freezing the benefit accruals of an eligible Participant under Section 6.1).
3. **Time and Form of Distribution.** The amount of any benefit adjustment provided under this Appendix shall be paid to the eligible Participant at the same time and in the same form as other benefits are payable to the eligible Participant under the Plan.

Benefit Adjustment Schedule under Appendix IV of
the National Grid USA Companies' Final Average Pay Pension Plan

Pursuant to Appendix IV of the National Grid USA Companies' Final Average Pay Pension Plan, the Basic Retirement Amount of each Participant identified by his or her social security number below will be increased by the monthly benefit amount (expressed as a single life annuity) set opposite his or her social security number below, determined as of his or her Normal Retirement Date.

<u>Participants</u>	<u>Monthly Benefit Adjustment</u>
022-50-xxxx	\$2,965.67
143-38-xxxx	\$1,741.50
013-46-xxxx	\$2,660.42
014-40-xxxx	\$4,467.50
042-40-xxxx	\$5,623.00
030-38-xxxx	\$3,496.67
021-44-xxxx	\$5,197.25
041-44-xxxx	\$3,849.25
016-44-xxxx	\$2,612.50
190-36-xxxx	\$3,020.08
030-40-xxxx	\$1,998.08
146-38-xxxx	\$3,137.25
100-48-xxxx	\$5,029.33
314-46-xxxx	\$4,524.83
030-40-xxxx	\$2,221.75
001-56-xxxx	\$2,070.92
263-86-xxxx	\$4,259.83
023-34-xxxx	\$2,918.00

In the case of a Participant identified on this Benefit Adjustment Schedule (complete social security references on file with the Committee) who elects in accordance with the applicable provisions of the Plan to receive his or her benefits under the Plan prior to his or her Normal Retirement Date, he or she will have the amount of his or her monthly benefit adjustment reduced by the factor set forth in the table applicable to such Participant under the Plan.

In the case of a Participant identified on this Benefit Adjustment Schedule who has less than one Year of Service on and after March 1, 2000 and before his and her retirement date, the amount of his or her monthly benefit adjustment will be reduced to the extent required under section 411(b) or 401(a)(4) of the Code.

SUPPLEMENT M

PROVISIONS REGARDING BENEFITS FOR VALLEY RESOURCES PENSION PLAN PARTICIPANTS

1. Merger of the Southern Union Company Valley Resources Employee's Pension Plan (for bargaining unit employees) (the "Valley Resources Union Plan") and the Southern Union Company Valley Resources Employee's Retirement Plan (for non-bargaining unit employees) (the "Valley Resources Non-Union Plan") (together the "Valley Resources Pension Plans) into the Plan. Effective as of August 24, 2006 (the "Merger Effective Date"), the Valley Resources Pension Plans merged with and into the Plan. As of the Merger Effective Date, all liabilities and assets of the Valley Resources Pension Plans transferred to, were assumed by, and became part of the Plan and associated trust hereunder. Further, the terms of the Valley Resources Pension Plans are hereby incorporated into the Plan by reference as if fully set forth herein as of the Merger Effective Date with such ongoing force and effect as set forth herein.
2. Valley Resources Pension Plans Terms Generally. Except as otherwise provided in this Supplement, the applicable terms of Articles I, II, III, IV, V, VI (excluding section 6.05(b)) and VII and section 11.07 shall remain effective (the "Continuing Terms") for all Valley resources Pension Plan participants (including employees who immediately prior to the Merger Effective Date had not yet met the eligibility requirements under Article III of a Valley Resources Pension Plan) who were subject to the terms of a Valley Resources Pension Plan immediately prior to the Merger Effective Date and any hired employees who qualify for participation under paragraph 3 below, to the exclusion of duplicative provisions under the Plan. The applicable terms of the Plan shall, however, supersede those set forth in Articles VIII, IX, X, XI (excluding section 11.07), XII, XIII, XIV and XV, section 6.05(b), as well as corresponding definitions under Article 1, of the Valley Resources Pension Plans, as of the Merger Effective Date. Years of service for vesting purposes, but for no other purpose, shall include the combined vesting service for any participant in the Plan who has both vesting service under either or both Valley Resources Pension Plans and/or any other provisions of the Plan. Further, certain Continuing Terms are hereby clarified as set forth in paragraph 5 below effective as of the Merger Effective Date, except as otherwise stated in paragraph 5.
3. Treatment of Valley Resources Union Plan participants. The following applies to participants who were covered by the Valley Resources Union Plan immediately prior to the Merger Effective Date (including employees who immediately prior to the Merger Effective Date had not yet met the eligibility requirements under Article III of the Valley Resources Union Plan) ("Existing Union Participant") or who become an employee of a participating employer represented by Local 472 (or its successor, Local 310B) of the Utility Workers Union of America whose participation is contemplated by the terms of the applicable collective bargaining agreement ("New Union Employee"): each Existing Union Participant shall continue to participate in, including accrue benefits under, the applicable Continuing Terms of the Valley Resources Union Plan and New Union Employees shall become eligible to participate in, and ultimately accrue benefits under, applicable Continuing Terms of the Valley Resources Union Plan, all to the exclusion of other benefits, rights and features available to other participants under the Plan; effective December 31, 2008, however, accruals under the Valley Resources Union Plan provisions of the Plan will freeze, and commencing January 1, 2009, any Existing Union

Participant or New Union Employee who is employed by an Employer on or after January 1, 2009, will be treated as follows: (i) his or her accrued benefit under the Plan will be calculated pursuant to Article VI of the Plan, as such article applies to Union Employees; (ii) if he or she had a vested Valley Resources Union Plan benefit as of December 31, 2008, the age 65 (normal retirement) vested accrued benefit shall be treated as a frozen age 65 floor Accrued Benefit (the value of said Participant's benefit at retirement will be no less than the frozen floor pension benefit as adjusted under Valley Resources Union Plan provision terms for early retirement as of benefits commencement); (iii) any pre-retirement spouse death benefit that becomes payable to a surviving spouse shall be based upon the greater of an applicable Participant's minimum accrued benefit and his or her Accrued Benefit at the time of death; and (iv) the Accrued Benefit will otherwise be paid in accordance with the terms of the Plan applicable to benefits accrued and determined under Article VI of the Plan applicable to Union Participants, except to the extent an optional form of payment is required to be maintained by law.

4. Treatment of Valley Resources Non-Union Plan participants. The following shall apply to participants who were covered by the Valley Resources Non-Union Plan immediately prior to the Merger Effective Date (including employees who immediately prior to the Merger Effective Date had not yet met the eligibility requirements under Article III of the Valley Resources Non-Union Plan) ("Existing Non-Union Participant"):

a. each Existing Non-Union Participant shall continue to participate in, including accrue benefits under, the applicable Continuing Terms of the Valley Resources Non-Union Plan to the exclusion of other benefits, rights and features available to other participants under the Plan, which will remain true regardless of whether the subject participant transfers between participating employers;

b. any non-union employee hired or re-hired by an Employer who has an outstanding accrued benefit under the terms of the Valley Resources Non-Union Plan upon hire (or rehire) shall resume participation under applicable Continuing Terms of the Valley Resources Non-Union Plan to the exclusion of other benefits, rights and features available to other participants under the Plan; provided, however, if said participant also has an accrued benefit under other non-union Plan terms (disregarding the Valley Resources Non-Union Plan provisions) he or she shall participate under the design the participant most recently accrued benefits under;

c. otherwise, no new entrants under the Valley Resources Non-Union Plan provisions are intended to be created following the Merger Effective Date; and

d. effective March 30, 2008, however, accruals under the Valley Resources Non-Union Plan provisions of the Plan will freeze, and commencing April 1, 2008, any Existing Non-Union Participant who is employed by an Employer on or after April 1, 2008, as well as any other non-union employee hired or re-hired by an Employer who has an outstanding accrued benefit under the terms of the Valley Resources Non-Union Plan provisions of the Plan as set forth in subparagraph (b) above upon hire or rehire, will be treated as follows: (i) his or her accrued benefit under the Plan will be calculated pursuant to Article VI of the Plan, as such article applies to Nonunion Employees, provided that for purposes of such calculation, Year of Service for periods prior to April 1, 2008 shall be based upon years of service calculated under Valley Resources Non-Union Plan terms up through March 31, 2008, and Compensation for the period prior to April 1,

2008 shall mean the amounts paid to such Participant and used to determine his or her accrued benefit under the Valley Resources Non-Union Plan up through March 31, 2008; (ii) if he or she had a vested Valley Resources Non-Union Plan benefit as of March 31, 2008, the age 65 (normal retirement) vested accrued benefit shall be treated as a frozen age 65 floor Accrued Benefit (the value of said Participant's benefit at retirement will be no less than the frozen floor pension benefit as adjusted under Valley Resources Non-Union Plan provision terms for early retirement as of benefits commencement); (iii) any pre-retirement spouse death benefit that becomes payable to a surviving spouse shall be based upon the greater of an applicable Participant's minimum accrued benefit and his or her Accrued Benefit at the time of death; and (iv) the Accrued Benefit will otherwise be paid in accordance with the terms of the Plan applicable to benefits accrued and determined under Article VI of the Plan applicable to Non-Union Participants, except to the extent an optional form of payment is required to be maintained by law.

5. Clarifications to Certain Continuing Terms.

a. Valley Resources Pension Plans sections 1.02 "Actuarial Equivalent" benefit calculations for purposes of determining annuity values (both normal and optional forms as well as pre-retirement spouse death benefits) and early retirement reduction factors are based upon the 1984 Unisex Pension Mortality Table and a 6.5% interest rate.

b. Valley Resources Pension Plans sections 2.01 "Eligibility Service" is initially based upon whether the subject employee is employed on his or her first anniversary of employment and has been credited with at least one Hour of Service between the date of hire and the first anniversary of employment with subsequent tests being performed based upon a Plan Year basis commencing with the first Plan Year following employee's date of hire.

c. Valley Resources Pension Plans sections 2.02 "Vesting Service" is determined by days measured on an elapsed time basis measured from the date of hire.

d. Valley Resources Pension Plans sections 5.04 "Pre-Retirement Death Benefit", last subparagraphs, and sections 6.10 subparagraphs (a), are subject to the change in the involuntary lump sum distribution cap set forth in the amendment of sections 6.05 effective March 28, 2005.

e. Valley Resources Pension Plans sections 5.06 provide, among other things, that a participant's suspended benefit will be recalculated at re-retirement (without actuarial adjustment for earlier payments) and paid in the same form of benefit previously commenced; the provisions also contemplate that in the event that the subject suspended participant were to die while in suspension, participant's spouse at the time of death ("subject spouse") would be eligible for a pre-retirement spouse death benefit on the total recalculated accrued benefit (or based upon the value of the previously elected form that included spouse as joint and survivor annuitant, if greater), but such provisions would not be applicable against the portion of benefit in payment status already elected to be received in a form of payment that did not include the spouse (such as a single life annuity or joint and survivor option that was payable to someone other than the "subject spouse"), rather it would be effective against the incremental benefit accrued during the suspension period, if any, which incremental benefit would not therefore be applied as an adjustment to participant's suspended accrued benefit.

f. Valley Resources Pension Plans sections 6.01 and 6.03. Sections 6.01 makes available to participants, annuities payable in the form of a single life annuity option (normal form of benefit for a single participant), a 50% joint and survivor annuity option (normal form of benefit for a participant married at the time of benefit commencement), a 50% joint and survivor annuity with a pop-up (should the joint and survivor annuitant pre-decease participant), a 100% joint and survivor annuity option, and a 100% joint and survivor annuity with a pop-up (should the joint and survivor annuitant pre-decease participant). Sections 6.03 permit a participant to select any joint and survivor annuitant of their choosing (subject to spouse consent).

g. Valley Resources Pension Plans Article VII vesting provisions and sections 6.09 subparagraphs (b): Article VII provides that participants are vested in their accrued benefit under the plans upon the earlier of attaining Normal Retirement Age (if employed at the time) or completing 5 years of Vesting Service. Benefit accruals are calculated based upon Normal Retirement Age and are payable no later than Normal Retirement Age or the participant's Date of Termination, if later. Section 6.09 subparagraphs (b) is therefore of no force or practical effect.

h. Effective on and after April 1, 2020, the one year of marriage requirement for the pre-retirement surviving spouse annuity under Section 4.04(d) of the Valley Resources Non-Union Plan shall no longer apply.

**RHODE ISLAND ENERGY
EXECUTIVE SUPPLEMENTAL RETIREMENT PLAN**
(Effective as of February 24, 2022)

310670082.9

Business Use

**Rhode Island Energy
Executive Supplemental Retirement Plan**
(Established as of February 24, 2022)

PREAMBLE

This Rhode Island Energy Executive Supplemental Retirement Plan (the "Plan") is established as a new plan in connection with the acquisition by PPL Corporation of The Narragansett Electric Company, and is intended to duplicate the relevant provisions of the National Grid Companies' Executive Supplemental Retirement Plan (409A) dated December 31, 2008. This Plan sets forth the terms applicable to participants whose qualified defined benefit pension plan benefit is calculated under the terms of the Rhode Island Energy Retirement Plan.

Rhode Island Energy
Executive Supplemental Retirement Plan
(Established as of February 24, 2022)

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Rhode Island Energy
Executive Supplemental Retirement Plan
(Established as of February 24, 2022)

I. Introduction

- 1.01 Name. This Plan shall be known as the Rhode Island Energy Executive Supplemental Retirement Plan (the "**Plan**").
- 1.02 Purpose. The purpose of this Plan is to provide supplemental retirement benefits for a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended, and establish provisions/operations applicable to the payment of supplemental retirement benefits that are compliant with the general provisions of Section 409A of the Code.
- 1.03 Effectiveness. This Plan is effective as of February 24, 2022.

II. Definitions

When used in this Plan, the following words will have the meanings indicated below:

- 2.01 Accrued Benefit means the vested benefits under this Plan.
- 2.02 Affiliated Company means (a) any corporation that is a member of the same controlled group of corporations (within the meaning of section 414(b) of the Code) as the Company; (b) any member of an affiliated service group, as determined under section 414(m) of the Code, of which the Company is a member; (c) any trade or business (whether or not incorporated) that is under common control with the Company, as determined under section 414(c) of the Code, and (d) any other organization or entity that is required to be aggregated with the Company under section 414(o) of the Code and regulations issued thereunder.
- 2.03 Board means the Board of Directors of PPL, or a committee of the Board.
- 2.04 Code means the Internal Revenue Code of 1986, as amended from time to time.
- 2.05 Company means The Narragansett Electric Company, dba Rhode Island Energy.
- 2.06 Deemed Benefits Commencement Date means the *later of* the date of the Participant's Separation from Service or the date the Participant attains age 55; *provided however*, that if a Participant is below age 55 at the time of Separation from Service, the Deemed Benefits Commencement Date will be the date as of which the Participant attains age 55.
- 2.07 EBPB means the Employee Benefit Plan Board, the entity appointed by the Board as the administrator of the Plan.
- 2.08 Participant means a non-union employee who participates in the Qualified Plan and whose permissible earnings under the Qualified Plan exceed the amount

permitted under Section 401(a)(17) of the Code and/or whose benefit under the Qualified Plan exceeds the limits set forth under Section 415 of the Code.

- 2.09 Plan Administrator means the EBPB.
- 2.10 PPL shall mean PPL Services Corporation and its successors.
- 2.11 Qualified Compensation means compensation utilized in the calculation of the Participant's Qualified Plan benefit, but without regard to any reduction required by Sections 401(a)(17) or 415 of the Code; *provided, however*, Qualified Compensation shall include additional earnings received by a Participant from any entity as specifically authorized by the Board.
- 2.12 Qualified Plan means the RIE Plan.
- 2.13 Qualified Plan Benefit means the annual normal retirement benefit payable on a straight single life annuity basis under the terms of the Qualified Plan determined as of the Participant's Deemed Benefits Commencement Date (and without regard to any qualified domestic relations order that would otherwise affect the amount of said benefit).
- 2.14 Retirement Income means the supplemental retirement benefit(s) relating to the Participant's Accrued Benefit for which a Participant is eligible under this Plan.
- 2.15 RIE Plan means the Rhode Island Energy Retirement Plan, as amended from time to time.
- 2.16 Section 409A means section 409A of the Code, as amended from time to time, including regulations issued pursuant thereto.
- 2.17 Separation from Service has the meaning set forth in Section 1.409A-1(h) of the Treasury Regulations.
- 2.18 Spouse shall have the meaning provided in the Qualified Plan.
- 2.19 Total Compensation means Qualified Compensation; *provided, however*, for any Participant who serves in an officer-level position, Total Compensation further includes (to the extent not already included): (a) incentive compensation, which shall be included in the same twelve-month period for which it was earned; and (b) compensation and/or incentive compensation deferred under the terms of the PPL Executive Deferred Compensation Plan that is not included in Qualified Compensation due to the fact it was deferred, which shall be attributed to the twelve-month period for which it was earned. The inclusion of incentive compensation and/or deferred compensation in the calculation of a Participant's Plan benefit as described herein applies prospectively from the date the Participant becomes an officer-level employee.
- 2.20 Years of Service shall have the meaning provided in the Qualified Plan; *provided, however*, Years of Service shall also include any additional service credit specifically authorized for a Participant by the Board.

III. Supplemental Retirement Benefit

- 3.01 Annual Benefit Amount. A Participant shall be entitled to receive from the Company an annual retirement benefit equal to a. *minus* b. *minus* c. below:
- a. the benefit the Participant would have received under the Qualified Plan if the benefit were calculated using Total Compensation;
 - b. the Qualified Plan Benefit;
 - c. any benefit payable on a straight life annuity basis which was accrued, under a plan maintained by an employer other than Company or an Affiliated Company, for service granted pursuant to the additional service credits provision of the Qualified Plan.

For purposes of calculating a Participant's benefit under this Section 3.01, the Plan benefit will be calculated without regard to the limits under Section 415 of Code.

- 3.02 Vesting and Forfeiture of Benefits. A Participant's benefit under this Plan shall be 100% vested after five Years of Service. There is no partial or incremental vesting under this Plan and any amount that is not vested at the time of a Participant's Separation from Service is automatically forfeited.

IV. Calculation of Benefits

- 4.01 Calculation Date. A Participant's Retirement Income will be determined as of the Deemed Benefits Commencement Date at the time of the Participant's Separation from Service.
- 4.02 Early Retirement Reduction Factor. The early retirement reduction factor that applies under the Qualified Plan shall apply to the benefit calculations under this Plan.

V. Timing and Form of Payment of Retirement Income

- 5.01 Payment Timing. Payment of Retirement Income to Participants will commence on the later of (i) the first day of the seventh month following Separation from Service or (ii) the first day of the month on or following the date Participant attains age 55; *provided, however*, the Plan Administrator may, in its sole discretion, process and pay a scheduled payment up through the later of December 31 following the applicable payment date and the 15th day of the third calendar month following the applicable payment date provided that under no circumstance may a Participant be permitted, directly or indirectly, to designate the taxable year of processing and payment.
- 5.02 Normal Form of Payment. The normal form of payment of Retirement Income shall be as follows:
- a. If a Participant has a Spouse, the normal form of payment shall be a contingent annuitant option with the Spouse, as contingent annuitant,

entitled to receive 50% of the Participant's reduced amount of Retirement Income.

- b. If a Participant does not have a Spouse, the normal form of payment shall be a straight life annuity with no amount of Retirement Income payable after the former Participant's death.

5.03 QDRO Payments. To the extent the form of benefit under the Qualified Plan was dictated by the terms of a qualified domestic relations order, the form of payment of the Retirement Income is that which would have applied (or any form that could have been elected) in the absence of said order, except to the extent of a court approved domestic relations order assigning benefits payable under this Plan specifies otherwise, and subject to the limits imposed on such an election by Section 409A.

5.04 Spouse's Death Benefit. The Spouse of a Participant who is vested under this Plan is entitled to a pre-retirement spouse benefit if the Participant dies before payment of Plan benefits commence as follows:

- a. calculation of the benefit will be made as if the Participant had retired as of the date of death and elected Retirement Income payments to begin on the first day of the month next following the later of the date of death or Participant's fifty-fifth birthday; and
- b. the Retirement Income shall be payable in the form of a contingent annuitant option with the Spouse, as contingent annuitant, entitled to receive 50% (100% if the Participant died after his or her 55th birthday and while an active employee) of the Participant's amount of Retirement Income subject to reduction for benefits payable hereunder under a domestic relations order; *provided, however,* the Plan Administrator may, in his or her sole discretion, process and pay the death benefit at any time prior to December 31 of the calendar year following the calendar year during which the Participant died.

5.05 Actuarial Factors. In calculating the benefit payable under any optional form of benefit described under this Plan, the same actuarial equivalent factors in the Qualified Plan shall be used in this Plan unless such factors are inconsistent or disallowed under Section 409A.

VI. Lump Sum Payments – Special Circumstances

6.01 Dissolution. In the event of the dissolution, liquidation, or winding up of the business of the Company, whether voluntary or involuntary, the Board may provide for acceleration of the Participant's Accrued Benefit in the circumstances described in Section 1.409A-3(j)(4)(ix) of the Treasury Regulations (pertaining to liquidations, plan terminations, etc.) to the extent permitted by said Section 1.409A-3(j)(4)(ix). Any such determination by the Board shall be in writing and shall form a part of this Plan to the extent required by Section 1.409A-3(j)(4) of the Treasury Regulations.

- 6.02 Failure of Payment. If there is a failure by the Company to make any payment to any Participant relative to Post-2004 Amounts when due under this Plan, the Company will make the payment. However, if the Company fails to make a Post-2004 Amount payment due to inadvertence or a good faith delay to permit processing and immediately upon discovery of such failure or delay makes such payment in full, the original failure to make the payment or payments shall not, for the purposes of this paragraph, be a failure to make a payment. Likewise, if the Company, in good faith, contests a claim by a Participant under this Plan, the failure to make the contested payment or payments shall not, for the purpose of this paragraph, be a failure to make a payment. The protection of benefits under this paragraph is not intended to result in a deferral or acceleration of payment(s) in violation of Section 409A of the Code.
- 6.03 Small Balance Cash Outs. At anytime following a Participant's Separation from Service the Plan Administrator may direct, in his or her discretion, the lump sum cash out of Participant's entire Accrued Benefit (determined utilizing Code Section 417(e) prescribed mortality and interest rate assumptions) provided: (1) the lump sum cash out includes the Participant's entire outstanding Accrued Benefit and the benefits under all other plans required to be aggregated with this Plan under Section 409A; and (2), the Participant's total lump sum value under the foregoing plans does not exceed the applicable dollar amount under section 402(g)(1)(B) of the Code at the time of cash out.
- 6.04 FICA. In the event that FICA taxes are due on Plan benefits on or after Separation from Service, the Plan Administrator will (to the extent permitted by law, including Section 409A), have the taxes paid through an actuarial reduction in the Participant's Plan benefit in an amount sufficient to cover a lump sum payment of the FICA taxes and applicable withholding taxes.
- 6.05 Other Special Circumstances – Accelerations and/or Delays in Scheduled Payments. The Plan Administrator may modify the time or schedule of payments under this Plan under specified circumstances described in Section 1.409A-3(j)(4) of the Treasury Regulations (e.g., certain conflicts of interest, compliance with ethics laws, etc.), but only to the extent therein provided. Further, the Plan Administrator may authorize a delay in a scheduled payment under this Plan under specific circumstances permitted under Section 409A, subject to the applicable provisions of Section 409A, such as under circumstances where the delay would result in a deduction under section 162(m) of the Internal Revenue Code not otherwise available, where necessary to comply with Federal securities law or other applicable.
- 6.06 USERRA. This Plan will be operated in a manner that is compliant with the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended.

VII. Administration and Claims

- 7.01 Duties. The EBPB shall have for this Plan the same duties as for the RIE Plan, except as may be specifically provided herein or as inapplicable due to the Plan's unfunded "top hat" plan status under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Without limiting the generality of the

foregoing, the EBPB shall have the full power and complete discretion to construe and interpret all terms, provisions, conditions and limitations of the Plan and to determine all questions arising out of or in connection with the provisions of the Plan or its administration.

7.02 Claims. Pursuant to Section 503 of ERISA, the following claims procedure applies with respect to claims for benefits under the Plan.

- a. If any person believes she or he is being denied any rights or benefits relating to participation, eligibility, the amount of benefits, or any other provisions of this Plan, such person may file a claim in writing with the EBPB (or if the EBPB so specifies, its designee).
- b. If a claim for benefits under the Plan is denied, in whole or in part, the EBPB (or its designee) shall, within ninety (90) days after receipt of the claim, notify the claimant of the denial of the claim. The period for making the determination may be extended for up to an additional ninety (90) days, if necessary due to special circumstances, provided the EBPB (or its designee) notifies the claimant of the extension within the initial ninety (90) day period. The extension notice in such case shall explain the reasons for the extension and the expected date of a decision. The notice of denial: (i) shall be in writing; (ii) shall be written in a manner calculated to be understood by the claimant; and (iii) shall contain (A) the specific reason or reasons for denial of the claim; (B) reference to the specific Plan provisions upon which the denial is based; (C) a description of any additional material or information necessary to perfect the claim, along with an explanation of why such material or information is necessary; and (D) an explanation of the claims review procedures in paragraphs (c) and (d), below, including any applicable time limits, and a statement of the claimant's rights to bring a civil action under Section 502(a) of ERISA following a denied claim on review.
- c. After a claimant receives a written notice of the denial of a claim for benefits, the claimant may file a written request with the EBPB (or, if the EBPB so specifies, its designee) that it conduct a full and fair review of the denial of the claim. A written request for review of a denied claim must be made within sixty (60) days after the claimant's receipt of the written notice of denial of the claim. The written request for review should state why the claimant believes the claim should not have been denied, and should describe any documents, data, or other information that may have a bearing on the claim. A claimant shall have the right to submit written comments, documents, records, and other information relating to the claim. A claimant also shall have the right to be represented, provided that the EBPB may apply reasonable procedures for determining whether an individual has been authorized to act on behalf of the claimant. The claimant (or their representative) may have, upon request and free of charge, reasonable access to, and copies of, all "relevant documents." The term "relevant document" for purposes of this Section 7.02 means any document, record, or other information that: (i) was relied upon in making a decision to deny benefits; (ii) was submitted, considered, or generated in the course of making the decision to deny benefits, whether or not it was

relied upon in making the decision to deny benefits; or (iii) demonstrates compliance with any administrative processes and safeguards designed to confirm that the benefit determination was in accord with the Plan and that the Plan provisions, where appropriate, have been applied consistently regarding similarly situated individuals.

- d. The EBPB (or its designee) shall deliver to the claimant a written decision on the claim within sixty (60) days after receipt of the aforesaid request for review. The period for delivering the decision may be extended for up to an additional sixty (60) days, if necessary due to special circumstances, provided the EBPB (or its designee) notifies the claimant of the extension within the initial sixty (60) day period. The extension notice shall explain the reasons for the extension and the expected date of a decision. The decision shall (i) be written in a manner calculated to be understood by the claimant; (ii) include the specific reason(s) for the decision; (iii) contain a reference to the specific Plan provisions upon which the decision is based; (iv) contain a statement of the claimant's right to receive, upon request and free of charge, reasonable access to and copies of Relevant Documents (as defined above); and (v) contain a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA. The decision upon review shall be final and binding on all parties and subject to the fullest deference permitted by law.

7.03 Plan Interpretation. Any interpretation of this Plan or other determination with respect to this Plan by the EBPB will be final, binding and conclusive on all persons.

VIII. Liability for Acts

8.01 No member of the EBPB, an officer or member of the Board, nor the Company or its employees shall be personally liable for any error of omission or commission unless such error results from such individual's own gross negligence, willful misconduct, or lack of good faith; nor shall said individuals be personally liable for any act of gross negligence, willful misconduct, or lack of good faith of any other individual.

IX. Indemnity

9.01 Any employee of the Company or PPL who has assisted the EBPB, PPL or the Company in administering this Plan, the members and officers of the Board shall be insured and indemnified by the Company and PPL jointly and severally, against any and all liabilities, damages, costs and expenses (including attorney's fees) occasioned by any act or omission to act in connection with this Plan, as long as such acts or omission to act are in good faith.

X. Effectuation of Interest

10.01 In the event it should become impossible for the Company, PPL, the Plan Administrator, or the EBPB to perform any act required by this Plan, the Plan Administrator, the Company, PPL, or the EBPB may perform such other act as it

in good faith determines will most nearly carry out the intent and purpose of this Plan.

XI. Government Regulations

11.01 It is intended that this Plan will comply with all applicable laws and governmental regulations, and neither the Company, PPL nor any party with authority under this Plan, shall be obligated to perform an obligation hereunder in any case where, in the opinion of the Company's or PPL's counsel, such performance would result in violation of any law or regulation.

XII. Nonassignment

12.01 To the fullest extent permitted by law, no benefit under this Plan, nor any other interest hereunder of any Participant, Spouse, or contingent annuitant, shall be assignable, transferable, or subject to sale, mortgage, pledge, hypothecation, commutation, anticipation, garnishment, attachment, execution, or levy of any kind, except to the extent of a court ordered domestic relations assignment.

XIII. Provisions of Benefits

13.01 This Plan will be unfunded. Benefits will be paid from the operating revenues of the Company. The Company shall not be required to set aside or segregate any assets of any kind to meet any obligations under this Plan. A Participant's rights to benefits under this Plan shall be those of an unsecured, general creditor of the Company.

XIV. Amendment or Termination

14.01 The Board may, in its sole discretion, terminate and amend this Plan from time to time; *provided, however*, no modification shall reduce the value of a vested benefit which, at the time of such amendment or discontinuance a Participant would be eligible to receive under this Plan at that time or a later date in accordance with the terms of this Plan without the affected Participant's consent. Subject to the foregoing, the EBPB may adopt any amendment that does not significantly affect the cost of the Plan or significantly alter the benefit design or eligibility requirements of the Plan. Each amendment to the Plan will be binding on the Company.

XV. General Provisions

15.01 Taxes. Payments under this Plan are subject to applicable tax withholding and reporting. Each Participant is solely and personally liable for the settlement of any and all income taxes with respect to payments under this Plan.

15.02 No Implied Rights. Neither this Plan nor the making of payments or purchases of insurance by the Company or PPL shall be construed to create any obligation upon the Company or PPL to continue this Plan or to continue purchases of insurance or to give any present or future employee any right to continued employment.

- 15.03 Headings. The headings of articles and sections of this Plan are for convenience of reference only.
- 15.04 Gender and Number. Unless the context requires otherwise, the singular shall include the plural; the masculine gender shall include the feminine; and such words as "herein", "hereinafter", "hereof", and "hereunder" shall refer to this instrument as a whole and not merely to the subdivision in which such words appear.
- 15.05 Severability. If any term or provision of this Plan, as presently in effect or as amended from time to time, or the application thereof to any payments or circumstances, shall to any extent be invalid or unenforceable, the remainder of this Plan and the application of such term or provision to payments or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each term or provision of this Plan shall be valid and enforced to the fullest extent permitted by law.
- 15.06 Governing Law. Except as otherwise required by law, this Plan and all matters arising thereunder shall be governed by the laws of The Commonwealth of Pennsylvania.
- 15.07 Section 409A Compliance. The Plan and any payments provided hereunder are intended to comply with, or be exempt from, Code Section 409A. The Plan shall in all respects be interpreted, operated, and administered in accordance with this intent. Payments provided under the Plan may be made only upon an event and in a manner that complies with Code Section 409A. Any payments provided under the Plan to be made upon a termination of service that constitute deferred compensation subject to Code Section 409A shall be made only if such termination of service constitutes a "separation from service" under Code Section 409A. Each installment payment provided under the Plan shall be treated as a separate identified payment for purposes of Code Section 409A. Neither the Company nor PPL makes any representations or warranties that the payments provided under the Plan comply with, or are exempt from, Code Section 409A, and in no event shall the Company or PPL be liable for any portion of any taxes, penalties, interest, or other expenses that may be incurred by a Participant on account of non-compliance with Code Section 409A.

This Plan is hereby adopted and effective as of February 24, 2022 and executed February 24, 2022.

PPL SERVICES CORPORATION

Angela Gosman
Angela Gosman (Feb 24, 2022 13:18 EST)

Angela K. Gosman
Senior Vice President & Chief Human Resources Officer

CERTIFICATION

I, VINCENT SORGI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

/s/ Vincent Sorgi

Vincent Sorgi
President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

CERTIFICATION

I, JOSEPH P. BERGSTEIN, JR., certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

/s/ Joseph P. Bergstein, Jr.

Joseph P. Bergstein, Jr.

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

PPL Corporation

CERTIFICATION

I, STEPHANIE R. RAYMOND, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

/s/ Stephanie R. Raymond

Stephanie R. Raymond

President

(Principal Executive Officer)

PPL Electric Utilities Corporation

CERTIFICATION

I, MARLENE C. BEERS, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

/s/ Marlene C. Beers

Marlene C. Beers

Vice President and Controller

(Principal Financial Officer)

PPL Electric Utilities Corporation

CERTIFICATION

I, JOHN R. CROCKETT III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

/s/ John R. Crockett III

John R. Crockett III

President

(Principal Executive Officer)

Louisville Gas and Electric Company

CERTIFICATION

I, CHRISTOPHER M. GARRETT, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

/s/ Christopher M. Garrett

Christopher M. Garrett
Vice President-Finance and Accounting
(Principal Financial Officer)
Louisville Gas and Electric Company

CERTIFICATION

I, JOHN R. CROCKETT III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

/s/ John R. Crockett III

John R. Crockett III
President
(Principal Executive Officer)
Kentucky Utilities Company

CERTIFICATION

I, CHRISTOPHER M. GARRETT, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

/s/ Christopher M. Garrett

Christopher M. Garrett
Vice President-Finance and Accounting
(Principal Financial Officer)
Kentucky Utilities Company

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2022

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Vincent Sorgi, the Principal Executive Officer of the Company, and Joseph P. Bergstein, Jr., the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2022

/s/ Vincent Sorgi

Vincent Sorgi
President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

/s/ Joseph P. Bergstein, Jr.

Joseph P. Bergstein, Jr.
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2022

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Stephanie R. Raymond, the Principal Executive Officer of the Company, and Marlene C. Beers, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2022

/s/ Stephanie R. Raymond

Stephanie R. Raymond

President

(Principal Executive Officer)

PPL Electric Utilities Corporation

/s/ Marlene C. Beers

Marlene C. Beers

Vice President and Controller

(Principal Financial Officer)

PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LOUISVILLE GAS AND ELECTRIC COMPANY'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2022

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, John R. Crockett III, the Principal Executive Officer of the Company, and Christopher M. Garrett, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2022

/s/ John R. Crockett III

John R. Crockett III
President
(Principal Executive Officer)
Louisville Gas and Electric Company

/s/ Christopher M. Garrett

Christopher M. Garrett
Vice President-Finance and Accounting
(Principal Financial Officer)
Louisville Gas and Electric Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR KENTUCKY UTILITIES COMPANY'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2022

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, John R. Crockett III, the Principal Executive Officer of the Company, and Christopher M. Garrett, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2022

/s/ John R. Crockett III

John R. Crockett III
President
(Principal Executive Officer)
Kentucky Utilities Company

/s/ Christopher M. Garrett

Christopher M. Garrett
Vice President-Finance and Accounting
(Principal Financial Officer)
Kentucky Utilities Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.