

APPENDIX 1

SEPARATION AGREEMENT

among

ENERGY CORPORATION,

ITC HOLDINGS CORP.,

MID SOUTH TRANSCO LLC,

ENERGY ARKANSAS, INC.,

ENERGY GULF STATES LOUISIANA, L.L.C.,

ENERGY LOUISIANA, LLC,

ENERGY MISSISSIPPI, INC.,

ENERGY NEW ORLEANS, INC.,

ENERGY TEXAS, INC.

AND

ENERGY SERVICES, INC.

dated as of

December 4, 2011

TABLE OF CONTENTS**Page**

ARTICLE I

TRANSACTION STEPS AND CLOSING

Section 1.01	General	2
Section 1.02	Internal Restructuring.....	3
Section 1.03	Exchangeable Debt Financing	3
Section 1.04	TransCo Subs Financing; Utility OpCo LLCs and Entergy Contribution of Transmission Assets.....	3
Section 1.05	Distribution of TransCo Subs to Entergy.....	3
Section 1.06	Contribution of TransCo Subs to TransCo.....	3
Section 1.07	Tax Election of TransCo	4

ARTICLE II

THE FINANCINGS

Section 2.01	Entergy Financing; TransCo Securities	4
Section 2.02	Working Capital Facility.....	5
Section 2.03	TransCo Subs Financing	5
Section 2.04	Control of Financings.....	5

ARTICLE III

TRANSFER OF THE TRANSMISSION BUSINESS

Section 3.01	Transfer of Assets	6
Section 3.02	Assumption of Liabilities	6
Section 3.03	Transfer of Excluded Assets; Excluded Liabilities.....	7
Section 3.04	Misallocated Transfers	7
Section 3.05	Transmission Assets; Excluded Assets	7
Section 3.06	Transmission Liabilities; Excluded Liabilities	15
Section 3.07	Shared Facilities.....	18
Section 3.08	Treatment of Specific Facilities.....	18
Section 3.09	Termination of Intercompany Agreements; Settlement of Intercompany Accounts.....	18
Section 3.10	Third-Party Consents	19
Section 3.11	Allocation Matters	22
Section 3.12	Post-Closing Transfers.	22
Section 3.13	Supplemental Upgrades.....	23
Section 3.14	Securitization Costs.....	23
Section 3.15	No Representation or Warranty	23

ARTICLE IV

COMPLETION OF THE TRANSCO TRANSFER

Section 4.01	Separation Time	24
Section 4.02	Separation Deliveries	24
Section 4.03	Certain Resignations	26
Section 4.04	Transfer of Transmission Assets and Assumption of Transmission Liabilities	26
Section 4.05	Transfer of Excluded Assets; Assumption of Excluded Liabilities	27

ARTICLE V

MUTUAL RELEASES; INDEMNIFICATION

Section 5.01	Release of Pre-Distribution Date Claims	27
Section 5.02	Indemnification by ITC and the TransCo Group.....	30
Section 5.03	Indemnification by Entergy.....	30
Section 5.04	Indemnification by the Utility OpCos.....	31
Section 5.05	Survival	31
Section 5.06	Baskets and Cap.....	31
Section 5.07	Procedures for Indemnification	32
Section 5.08	Indemnification Obligations Net of Proceeds Received from Third Parties.....	34
Section 5.09	Certain Actions; Substitution; Subrogation.....	35
Section 5.10	Payments	36
Section 5.11	Non-Applicability to Taxes and Employee Matters	36

ARTICLE VI

TAX MATTERS

Section 6.01	ITC and TransCo Covenants	36
Section 6.02	Tax Indemnification by Entergy.....	39
Section 6.03	Tax Indemnification by TransCo.....	39
Section 6.04	Tax Audits	40
Section 6.05	Payments	41
Section 6.06	Survival	41

ARTICLE VII

CONFIDENTIALITY; ACCESS TO INFORMATION

Section 7.01	Confidentiality	41
Section 7.02	Access to Personnel and Property.....	42
Section 7.03	Witness Services	43
Section 7.04	Privileged Matters.....	43

ARTICLE VIII

ADDITIONAL AGREEMENTS

Section 8.01	Further Assurances.....	45
Section 8.02	Non-Solicitation; No Hiring	46
Section 8.03	Transitional Use of Signage and/or Other Materials Incorporating Entergy’s Name or Other Logos.....	46
Section 8.04	Removal of Tangible Assets.....	47
Section 8.05	Entergy Guarantees.....	48
Section 8.06	Insurance Matters.....	48
Section 8.07	Casualty and Condemnation.....	49
Section 8.08	Ancillary Agreements	50
Section 8.09	Tax-Free Reorganization Treatment; the Ruling.....	50
Section 8.10	Release of Security Interests for Recently Acquired Assets.	50

ARTICLE IX

CONDITIONS TO THE TRANSCO TRANSFER

Section 9.01	Conditions to the TransCo Transfer.....	51
--------------	---	----

ARTICLE X

DISPUTE RESOLUTION

Section 10.01	Negotiation	51
---------------	-------------------	----

ARTICLE XI

MISCELLANEOUS

Section 11.01	Expenses.....	52
Section 11.02	Entire Agreement.....	52
Section 11.03	Governing Law	52
Section 11.04	Specific Performance; Jurisdiction	52
Section 11.05	Waiver of Jury Trial.....	53
Section 11.06	Notices.....	53
Section 11.07	Amendments and Waivers.....	56
Section 11.08	Termination	57
Section 11.09	No Third-Party Beneficiaries.....	57
Section 11.10	Assignability; Binding Effect	57
Section 11.11	Construction; Interpretation.....	57
Section 11.12	Severability.....	57
Section 11.13	Counterparts.....	58
Section 11.14	Plan of Reorganization.....	58

ARTICLE XII
DEFINITIONS

Section 12.01 Definitions58

Exhibits

- Exhibit A Form of Distribution-Transmission Interconnection Agreement
- Exhibit B Employee Matters Agreement

SEPARATION AGREEMENT

This Separation Agreement (this “Agreement”) is dated as of December 4, 2011, among Entergy Corporation, a Delaware corporation (“Entergy”), ITC Holdings Corp., a Michigan corporation (“ITC”), Mid South TransCo LLC, a Delaware limited liability company and presently a Subsidiary of Entergy (“TransCo”), Entergy Arkansas, Inc., an Arkansas corporation and a Subsidiary of Entergy (“Arkansas OpCo”), Entergy Gulf States Louisiana, L.L.C., a Louisiana limited liability company and a Subsidiary of Entergy (“Gulf States OpCo”), Entergy Louisiana, LLC, a Texas limited liability company and a Subsidiary of Entergy (“Louisiana OpCo”), Entergy Mississippi, Inc., a Mississippi corporation and a Subsidiary of Entergy (“Mississippi OpCo”), Entergy New Orleans, Inc., a Louisiana corporation and a Subsidiary of Entergy (“New Orleans OpCo”) and Entergy Texas, Inc., a Texas corporation and a Subsidiary of Entergy (“Texas OpCo” and, together with Arkansas OpCo, Gulf States OpCo, Louisiana OpCo, Mississippi OpCo and New Orleans OpCo, the “Utility OpCos”) and Entergy Services, Inc., a Delaware corporation and a Subsidiary of Entergy (“ESI”), each a “Party” and together, the “Parties.”

RECITALS

WHEREAS, Entergy is engaged, through the Utility OpCos, in the Transmission Business;

WHEREAS, the Board of Directors of Entergy has determined that it is advisable and in the best interests of Entergy and Entergy’s shareholders to separate the Transmission Business from Entergy and to divest the Transmission Business in the manner contemplated by this Agreement and the Merger Agreement, dated the date hereof (the “Merger Agreement”), among Entergy, TransCo, ITC and Ibis Transaction Subsidiary LLC, a Delaware limited liability company and a direct wholly owned Subsidiary of ITC (“Merger Sub”);

WHEREAS, the respective board of directors or managers, as applicable, of each Utility OpCo has determined that it is advisable and in the best interests of its common equity owners to separate its respective Transmission Business in the manner contemplated in this Agreement;

WHEREAS, Entergy has caused TransCo to be formed in order to facilitate such separation and divestiture;

WHEREAS, Entergy currently owns all of the common units representing limited liability company membership interests of TransCo (the “TransCo Common Units”);

WHEREAS, on the terms and subject to the conditions set forth herein, prior to the Closing, the Parties contemplate that the Transmission Business shall be transferred to TransCo and, in connection therewith, the Financings shall take place;

WHEREAS, pursuant to the Merger Agreement, Entergy shall effect the Distribution and, on or about the Distribution Date, Entergy shall cause the Entergy Exchangeable Debt, if any, to be exchanged for the TransCo Securities for the purpose of facilitating the establishment of the appropriate liquidity and capital structure for each of Entergy and TransCo;

WHEREAS, the Parties contemplate that, pursuant to the Merger Agreement, immediately after the Distribution and at the Effective Time, Merger Sub shall be merged (the “Merger”) with and into TransCo, with TransCo surviving the Merger as a wholly owned subsidiary of ITC and the TransCo Common Units shall be converted into the right to receive shares of common stock of ITC on the terms and subject to the conditions of the Merger Agreement and in accordance with the Delaware Limited Liability Company Act;

WHEREAS, for United States federal income tax purposes, the Parties intend that (i) the Internal Restructuring qualifies as one or more reorganizations pursuant to Section 368(a) of the Code that is tax-free to Entergy and the Entergy Group, (ii) the Entergy Contribution, taken together with the Distribution, qualifies as a reorganization pursuant to Sections 368(a)(1)(D) and 355 of the Code that is tax-free to Entergy, the Entergy shareholders, and TransCo, (iii) the Debt Exchange qualifies for tax-free treatment to Entergy pursuant to Section 361(c) of the Code and (iv) the execution of this Agreement evidences a plan of reorganization within the meaning of Section 368 of the Code and Treasury Regulation Section 1.368-2(g); and

WHEREAS, the Parties desire to set forth the principal arrangements among them regarding the foregoing transactions and to make certain covenants and agreements specified herein in connection therewith and to prescribe certain conditions relating thereto.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements contained herein, and intending to be legally bound hereby, Entergy, ITC, TransCo, the Utility OpCos and ESI agree as follows:

ARTICLE I

TRANSACTION STEPS AND CLOSING

Section 1.01 General.

(a) Upon the terms and subject to the conditions set forth in this Agreement, the Parties shall cause the transactions set forth in this Article I to be consummated in the order and as set forth in this Article I. The Parties intend that none of the transactions set forth in this Article I shall become effective unless all of the transactions become effective and in no event shall any Party be required to effectuate any of the transactions set forth in this Article I prior to the receipt of the Entergy Regulatory Approvals and the ITC Regulatory Approvals.

(b) Entergy shall have the right to amend, modify or supplement, or cause the Utility OpCos to amend, modify or supplement this Agreement (including the schedules and documents contemplated herein) with respect to (i) whether a particular Transmission Asset is (A) contributed directly to TransCo or another TransCo Sub or (B) Conveyed to TransCo or another TransCo Sub in a taxable or tax free sale (provided, that the consideration paid by TransCo or any TransCo Sub for such sale is paid on or prior to the Separation Time) and (ii) the corporate structuring steps of Sections 1.02, 1.03, 1.04, and 1.05 (the “Internal Restructuring”), and the manner in which the TransCo Subs are formed and distributed to Entergy and contributed by Entergy to TransCo in the Entergy Contribution, as the case may be, provided, however, that any such amendment, modification or supplement would not (A) have

any actual or potential adverse economic (including tax) impact on ITC or any member of the TransCo Group, (B) be inconsistent with the Intended Tax-Free Treatment or compromise the ability to obtain the Ruling, or (C) make the restrictions in Section 6.01 more onerous to ITC. Notwithstanding the foregoing, Entergy shall give notice to ITC of any material modification to the structure of the Transactions (including the Internal Restructuring) and will consult with ITC in good faith to determine whether such change would be permitted under this Section 1.01(b).

Section 1.02 Internal Restructuring. Entergy shall cause its Affiliates to take, prior to the Distribution Date, the Internal Restructuring, including the actions set forth on Schedule 1.02.

Section 1.03 Exchangeable Debt Financing. As set forth in Article II, and at least fourteen (14) calendar days prior to the Separation Time, Entergy shall effectuate the Exchangeable Debt Financing.

Section 1.04 TransCo Subs Financing; Utility OpCo LLCs and Entergy Contribution of Transmission Assets.

(a) As set forth in Article II, Entergy shall cause the TransCo Subs to effectuate the TransCo Subs Financing.

(b) Concurrently with the TransCo Subs Financing, each Utility OpCo LLC shall contribute its respective Transmission Assets, free and clear of all Security Interests (other than Permitted Encumbrances), to its respective TransCo Sub and consummate the other transactions contemplated by the TransCo Transfer, in exchange for additional equity interests of such TransCo Sub and the net proceeds received by such TransCo Sub in the TransCo Subs Financing (the "Utility OpCo LLC Contributions").

Section 1.05 Distribution of TransCo Subs to Entergy. After the Exchangeable Debt Financing, the TransCo Subs Financing and the Utility OpCo LLC Contributions, each Utility OpCo LLC shall distribute all of the equity interests of its respective TransCo Sub to Entergy (except that, with respect to Louisiana OpCo LLC, the distribution shall be to Entergy Louisiana Holdings, Inc. or its successor, the immediate parent of Louisiana OpCo LLC ("ELH LLC") and with respect to Gulf States OpCo LLC the distribution shall be to Entergy Gulf States Holdings, Inc. or its successor, the immediate parent of Gulf States OpCo LLC ("EGSH LLC") and ELH LLC and EGSH LLC shall immediately distribute all of the equity interests of such TransCo Sub to Entergy).

Section 1.06 Contribution of TransCo Subs to TransCo. Entergy shall contribute all of the equity interests of each TransCo Sub to TransCo in exchange for (a) TransCo Common Units to be issued as set forth in Section 1.02 of the Merger Agreement, which TransCo Common Units, together with the 1,000 TransCo Common Units owned by Entergy as of the date hereof, will constitute all of the limited liability company membership interests of TransCo as of the Separation Time and (b) the TransCo Securities (the "Entergy Contribution"). Following the Entergy Contribution, the Distribution shall be effectuated in accordance with Section 1.03 of the Merger Agreement.

Section 1.07 Tax Election of TransCo. TransCo shall elect to be treated as a corporation for United States federal income tax purposes effective immediately prior to the Entergy Contribution which shall occur no earlier than three (3) days prior to the Distribution Date.

ARTICLE II

THE FINANCINGS

Section 2.01 Entergy Financing; TransCo Securities.

(a) Entergy shall use its reasonable best efforts to (i) issue, at least fourteen (14) calendar days prior to the effective date of the Debt Exchange, in a capital markets transaction, notes or other forms of indebtedness (the “New Exchangeable Debt”) or (ii) enter into agreements and other arrangements with unrelated creditors (the “Creditors”) whereby such creditors agree to purchase existing Entergy corporate debt (the “Purchased Exchangeable Debt”) and, together with the New Exchangeable Debt, the “Entergy Exchangeable Debt” and any combination of (i) or (ii), the “Exchangeable Debt Financing”); provided, however, that Entergy shall not enter into an Exchangeable Debt Financing or the Debt Exchange if (x) such Exchangeable Debt Financing or Debt Exchange would result in the failure of the Distribution, the Entergy Contribution, or any other Restructuring Transaction to qualify for the Intended Tax-Free Treatment, (y) the Ruling is not obtained with respect to the Exchangeable Debt Financing or the Debt Exchange or (z) if any Order granted in connection with the Entergy Regulatory Approvals, the ITC Regulatory Approvals or any other Governmental Approvals prohibits the Exchangeable Debt Financing. The aggregate principal amount of Purchased Exchangeable Debt plus the New Exchangeable Debt shall not exceed the TransCo Securities Principal Amount. With respect to the periods on or prior to the date of the Debt Exchange, the Entergy Exchangeable Debt shall be on terms and conditions (including any conditions to the Debt Exchange) reasonably acceptable to Entergy in its good faith commercial judgment; provided, that the terms and conditions of the Entergy Exchangeable Debt (including any form of indenture of TransCo or registration rights attached to the documentation of the Entergy Exchangeable Debt) related to the TransCo Securities shall be as set forth in Section 2.01(b). Entergy shall determine in its sole discretion which outstanding corporate debt of Entergy is to be purchased in connection with the Purchased Exchangeable Debt.

(b) Pursuant to Section 1.06 and in partial consideration for the Entergy Contribution, TransCo shall issue to Entergy (the “TransCo Securities Issuance”) senior securities of TransCo (“TransCo Securities”), in an aggregate principal amount up to an amount equal to (i) the Transaction Maximum Principal Amount *less* (ii) the TransCo Subs Principal Amount (the “TransCo Securities Principal Amount”). Subject to Section 2.04, the terms, conditions and form of the TransCo Securities shall be at then prevailing market terms for similar capital market issuances by companies of a size and with credit rating or profile similar to TransCo’s credit rating or profile, with minimum stated maturity terms necessary to ensure the treatment of the TransCo Securities as “securities” for U.S. federal income tax purposes, as mutually determined by Entergy and ITC using their respective commercially reasonable judgment. Entergy and ITC shall jointly appoint the lead underwriter/placement agent with respect to the Exchangeable Debt Financing and the TransCo Securities.

(c) At the Separation Time, but in no event sooner than fourteen (14) calendar days after the Creditors purchase the Purchased Exchangeable Debt, if applicable, Entergy may exchange the Entergy Exchangeable Debt for the TransCo Securities only upon, and subject to, the conditions set forth in the applicable indenture or similar agreements relating to the Entergy Exchangeable Debt and the TransCo Securities (the “Debt Exchange”).

Section 2.02 Working Capital Facility. At the request of ITC, Entergy shall use its reasonable best efforts to cause TransCo to arrange and obtain a working capital revolving credit facility with available credit facilities in a principal amount mutually determined by ITC and Entergy (the “Working Capital Facility”). The terms and conditions of the Working Capital Facility shall be at then prevailing market terms for similar working capital facilities by companies of a size and with a credit rating or profile similar to TransCo’s credit rating or profile, as mutually determined by Entergy and ITC each using their respective commercially reasonable judgment. Entergy shall pay for any initial commitment fees and expenses associated with the Working Capital Facility that are incurred prior to the Effective Time. Without the express written consent of ITC, TransCo shall not draw down on the Working Capital Facility prior to the Effective Time.

Section 2.03 TransCo Subs Financing. Entergy shall use its reasonable best efforts to cause the TransCo Subs to arrange and obtain a one (1) year term funded bridge facility (the “TransCo Subs Financing” and, together with the Entergy Exchangeable Debt, the TransCo Securities Issuance, the Working Capital Facility and the Debt Exchange, the “Financings”). Each of Entergy and ITC will use its commercially reasonable efforts to cause the principal amount of the TransCo Subs Financing to be based upon the target capital structure for each TransCo Sub approved by FERC (intended to be forty percent (40%) debt and sixty percent (60%) equity) in the relevant ITC Regulatory Approvals; provided, however, that if the desired Ruling with respect to the Financings cannot be obtained without increasing or decreasing the principal amount of the TransCo Subs Financings, the Parties agree that they shall have the right to increase or decrease the principal amount of the TransCo Subs Financings as necessary to obtain the Ruling, up to or reduced to an amount equal to the aggregate tax basis of the Transmission Assets (the amount to be incurred in either case, the “TransCo Subs Principal Amount”). Subject to the other provisions of this Article II with respect to the terms and conditions of the Financings, each of Entergy and ITC shall use its commercially reasonable efforts to cause the aggregate principal amount to be incurred in the TransCo Securities Issuance and the TransCo Subs Financing to equal \$1.775 billion (as may be adjusted pursuant to Section 1.02 of the Merger Agreement, the “Transaction Maximum Principal Amount”), and in any event the aggregate principal amount to be incurred in the TransCo Securities Issuance and the TransCo Subs Financing shall not exceed the Transaction Maximum Principal Amount. Subject to Section 2.04, the other terms and conditions of the TransCo Subs Financing shall be at then prevailing market terms for similar bridge facilities by companies of a size and with a credit rating or profile similar to TransCo’s credit rating or profile, as mutually determined by Entergy and ITC each using their respective commercially reasonable judgment. Entergy and ITC shall jointly appoint the lead arranger with respect to the TransCo Subs Financing.

Section 2.04 Control of Financings. From time to time following the date hereof, ITC and Entergy shall meet to discuss strategy and timing for seeking proposals from reputable lenders and/or underwriters to provide, arrange and/or underwrite the Financings. Entergy and

ITC shall jointly solicit proposals from reputable financing sources in order to arrange the Financings in a timely manner and shall select from among the proposals received one or more which they reasonably mutually determine to be the most favorable in the aggregate. Entergy and ITC shall jointly conduct negotiations regarding the Financings. Entergy and ITC shall use all commercially reasonable efforts to finalize all documentation with respect to the Financings in a timely manner in order to effect the Closing as promptly as practicable (taking into account any time periods required, in the good faith judgment of each Party, to satisfy any other closing conditions under Article VI of the Merger Agreement that remains to be satisfied as of such date, other than those conditions that would be satisfied by action at the Closing). Notwithstanding anything to the contrary in this Agreement or the Merger Agreement, in no event shall ITC be obligated to accept or execute, and in no event without the written consent of ITC shall TransCo or any other member of the TransCo Group accept or execute, documentation related to any of the Financings where (x) the terms or provisions of such Financing would cause its incurrence or assumption by ITC in or as a result of the Merger to be prohibited by or cause (with or without notice or the lapse of time) a default under the existing credit agreements or indentures of ITC or its Subsidiaries as in effect on the date of this Agreement (provided that ITC shall use reasonable best efforts to seek any consents or waivers with respect to such defaults) or (y) the aggregate effect of any covenants and other terms and conditions of the Financings (other than the interest rate) would be materially adverse to the ITC Group (after giving effect to the Merger).

ARTICLE III

TRANSFER OF THE TRANSMISSION BUSINESS

Section 3.01 Transfer of Assets. Except as provided in Section 3.10(b), effective as of the Separation Time, Entergy, the Utility OpCos and ESI shall sell, assign, transfer, convey and deliver (“Convey”) (and shall cause any applicable Subsidiary to Convey) to TransCo or one or more TransCo Subs as provided in transaction steps set forth in Article I, and TransCo shall accept from Entergy, the Utility OpCos, ESI or the applicable Subsidiary of Entergy, and shall cause the applicable TransCo Sub to accept, the Transmission Assets and all of Entergy’s and its applicable Subsidiaries’ respective right, title and interest in, to and under all Transmission Assets (other than any Transmission Assets that are already held as of the Separation Time by TransCo or a TransCo Sub, which Transmission Asset shall continue to be held by TransCo or such TransCo Sub after the Separation Time), free and clear of all Security Interests (other than Permitted Encumbrances).

Section 3.02 Assumption of Liabilities. Effective as of the Separation Time, Entergy, the Utility OpCos and ESI shall Convey (or shall cause any applicable Subsidiary to Convey) to TransCo or one or more TransCo Subs as provided in the transaction steps set forth in Article I, and TransCo shall assume, perform and fulfill when due and, to the extent applicable, comply with, or shall cause any applicable TransCo Sub to assume, perform and fulfill when due and, to the extent applicable, comply with, all of the Transmission Liabilities, in accordance with their respective terms (other than any Transmission Liability that as of the Separation Time is already a Liability of TransCo or a TransCo Sub, which Transmission Liability shall continue to be a Liability of TransCo or such TransCo Sub after the Separation Time).

Section 3.03 Transfer of Excluded Assets; Excluded Liabilities. Subject to Section 3.10(b), prior to the Entergy Contribution, (a) Entergy shall cause any applicable TransCo Sub to Convey to Entergy or an appropriately capitalized Subsidiary of Entergy (as Entergy may designate) (other than any member of the TransCo Group) any Excluded Assets that it owns, leases or has any right to use, and Entergy shall accept from such TransCo Sub, or shall cause any designated Subsidiary of Entergy (other than any member of the TransCo Group) to accept, the Excluded Assets and all such respective right, title and interest in and to any and all of such Excluded Assets and (b) Entergy shall cause any applicable TransCo Sub to Convey any Excluded Liability for which it is otherwise responsible to Entergy or an appropriately capitalized Subsidiary of Entergy (as Entergy may designate) (other than any member of the TransCo Group), and Entergy shall assume, perform and fulfill when due, and to the extent applicable, comply with, or shall cause the designated Subsidiary of Entergy to assume, perform and fulfill when due, and to the extent applicable, comply with, any and all of such Excluded Liabilities in accordance with their respective terms.

Section 3.04 Misallocated Transfers. In the event that, at any time from and after the Separation Time, any Party (or any member of the Entergy Group or the TransCo Group, as applicable) discovers that it or one of its Affiliates is the owner of, receives or otherwise comes to possess or benefit from any Asset (including the receipt of payments made pursuant to Contracts and proceeds from accounts receivable with respect to such Asset) or is liable for any Liability that is otherwise allocated to any Person that is a member of the other Group pursuant to this Agreement or any Ancillary Agreement (except in the case of any deliberate acquisition of Assets or assumption of Liabilities from the other Party for value subsequent to the Separation Time), such Party shall promptly Convey, or cause to be Conveyed, such Asset or Liability to the Person so entitled thereto (and the relevant Party shall cause such entitled Person to accept such Asset or assume such Liability) for no further consideration than that set forth in this Agreement. Prior to any such transfer, such Asset shall be held in accordance with Section 3.10(b).

Section 3.05 Transmission Assets; Excluded Assets.

(a) For purposes of this Agreement, “Transmission Assets” shall mean, in each case to the extent existing and owned or held immediately prior to the Separation Time by Entergy or any of its Subsidiaries, all of Entergy’s and its Subsidiaries’ respective right, title and interest in, to and under the following Assets:

(i) All Transmission Line Facilities. For purposes of this Agreement, “Transmission Line Facilities” means any and all electric transmission lines and other equipment located outside of a substation and operating at or above 69 kV together with related facilities, including (A) conductors (whether used for bulk transmission purposes or providing connection to generation sources, distribution facilities or retail or wholesale customers), (B) towers, poles, ducts and conduits associated with such conductors, (C) any other structure or Asset used exclusively for Transmission, (D) switching stations and (E) voltage control devices and power flow control devices;

(ii) All Transmission Substation Facilities. For purposes of this Agreement, “Transmission Substation Facilities” means any and all facilities and equipment located at a substation that are directly used for or exclusively in support of

Transmission, including conductors, associated poles and towers, transformers, circuit breakers, switches, protective relays, static VAR compensators, remote terminal units (RTUs), and related structures and control equipment. For substations that contain distribution or generation function equipment (i.e., equipment operating below 69 kV), the dividing line between distribution or generation function equipment and equipment constituting Transmission Substation Facilities shall be the high voltage Transmission system side (at 69 kV or above) of the disconnect switch of the distribution, or generation step-up or station service transformer;

(iii) All Transmission Common Use Facilities. For purposes of this Agreement, “Transmission Common Use Facilities” means any and all structures, equipment, facilities and other Assets (other than interests in real property) that (A) are located at a substation where three (3) or more separate transmission lines running from outside of such substation are interconnected within such substation and (B) are used in support of both Transmission and distribution functions within such substation;

(iv) All Transmission Land Rights. For purposes of this Agreement, “Transmission Land Rights” means any and all real property rights (including all rights acquired by operation of law), whether through ownership in fee simple, easement, servitude, right of way, license, Permit, concession, condemnation, lease or otherwise (but excluding any Franchises, which are addressed by Section 3.05(a)(xxii)), by which a Utility OpCo or any other member of the Entergy Group owns, possesses, uses or otherwise occupies land (A) upon which a Transmission Line Facility is located, (B) upon which a substation containing Transmission Substation Facilities but no distribution function equipment (other than metering) is located, together with any and all real property rights appurtenant thereto and adjoining or adjacent real property, but excluding any adjoining or adjacent tracts of land, improvements and appurtenant real property rights held for (i) generation purposes, (ii) distribution purposes other than expansion of the substation or (iii) purposes other than Transmission purposes, (C) upon which a substation containing Transmission Substation Facilities and distribution function equipment is located where three (3) or more separate transmission lines running from outside of such substation are interconnected within such substation, together with any and all real property rights appurtenant thereto and adjoining or adjacent real property, but excluding any adjoining or adjacent tracts of land, improvements and appurtenant real property rights held for (i) generation purposes, or (ii) distribution purposes other than expansion of the substation or Transmission purposes, or (D) otherwise exclusively used or held exclusively for use or future use in the Transmission Business;

(v) All Transmission Control Facilities and Transmission Control Facility Rights. For purposes of this Agreement, “Transmission Control Facilities” means the facilities and buildings primarily containing Transmission Control System equipment and devices set forth on Schedule 3.05(a)(v)(1) and “Transmission Control Facility Rights” means a lease, sublease, easement or other similar contractual right to access and use the portion of the facilities and buildings primarily containing Transmission Control System equipment and devices set forth on Schedule 3.05(a)(v)(2) (for the term as set forth on such schedule);

(vi) The Transmission Control System. For purposes of this Agreement, “Transmission Control System” means:

(1) All control systems, data acquisition systems, and networking equipment necessary for the operation and control of the Transmission Line Facilities and the Transmission Substation Facilities (such systems and equipment, the “EMS”) exclusive of software which is addressed in paragraph (3);

(2) any additional computers, servers, systems and related equipment (including devices, sensors, communications links, routers, hubs, switches, firewalls and modems) that are used by a Utility OpCo exclusively in the operation and control of the Transmission Line Facilities or Transmission Substation Facilities; and

(3) (A) all licenses of computer programs, software and applications (and related documentation) licensed by Entergy or its Subsidiaries and used exclusively in the operation of the EMS as of the Separation Time and (B) a royalty-free license effective as of the Separation Time to use (1) the computer programs, software and applications (and related documentation) owned by Entergy or its Subsidiaries that are used exclusively in the operation of the EMS as of the Separation Time and (2) any other computer programs, software and applications (and related documentation) owned or licensed by Entergy or its Subsidiaries that are used in the operation of the EMS as of the Separation Time; provided that with respect to any such computer programs, software and applications (and related documentation) licensed by Entergy or its Subsidiaries from a third party that are not transferable or sublicensable, Entergy, the OpCos and ESI shall only be obligated to use commercially reasonable efforts to achieve the license of such computer programs, software and applications to TransCo or a TransCo Sub as applicable, and any external cost of achieving any such license shall be paid by TransCo (all such computer programs, software and applications (and related documentation) licensed to TransCo or a TransCo Sub pursuant to this paragraph (3) collectively, the “Licensed IP”); and

(4) Pursuant to the Telecom Agreement, a non-exclusive right to use or shared access, in each case subject to a designated capacity, on a pro rata cost of service basis, to any fiber optic communications lines or similar data transmission network retained by the Utility OpCos as Excluded Assets;

(vii) the real property set forth on Schedule 3.05(a)(vii), together with all buildings, fixtures, structures and improvements erected or located on such real property (the “TransCo Real Property”);

(viii) the rights and interests of the Utility OpCos (as applicable) under the leases set forth on Schedule 3.05(a)(viii) to the premises listed on Schedule 3.05(a)(viii) (the “Leased Premises”);

(ix) all of the office equipment (including personal computers), furnishings and other tangible assets located at any TransCo Real Property, the Leased Premises, the Transmission Control Facilities, and the premises described in the Transmission Control Facility Rights in each case as allocated in the manner described on Schedule 3.05(a)(ix);

(x) (A) all the office equipment (including personal computers), furnishings and other tangible assets (to the extent not covered by Section 3.05(a)(ix)) and (B) all the machinery, equipment, tools and vehicles, in each case as used in the operation of the Transmission Assets and as allocated in the manner described on Schedule 3.05(a)(x);

(xi) all of the Permits (excluding Franchises (which are subject to Section 3.05(a)(xxii)) granted to Entergy or any of its Subsidiaries that are primarily used or held for use in the Transmission Business (the “Transferable Permits”); provided, that, the obligation to convey the Transferable Permits shall be subject to Section 3.10(a);

(xii) all rights to causes of action, lawsuits, judgments, claims (including insurance claims), counterclaims or demands of Entergy, its Affiliates or any member of the TransCo Group against a Person other than ITC or its Affiliates to the extent such causes of action, lawsuits, judgments, claims, counterclaims or demands relate to the Transmission Assets or the Transmission Liabilities; provided, that any causes of action, lawsuits, judgments, claims, counterclaims or demands shall be assigned to TransCo without warranty or recourse (other than pursuant to this Agreement, the Merger Agreement or any Ancillary Agreement);

(xiii) all inventories of materials, parts, raw materials, packaging materials, supplies, work-in-process, goods in transit and finished goods and products that are primarily used or held for primary use in the Transmission Business;

(xiv) (A) all licenses of Intellectual Property Rights by Entergy or its Subsidiaries that are exclusively used in the Transmission Business as of the Separation Time, and (B) a royalty-free license effective as of the Separation Time to use all other Intellectual Property Rights (1) owned by Entergy or its Subsidiaries that are used in the Transmission Business and (2) licensed by Entergy or its Subsidiaries that are used in the Transmission Business, as of the Separation Time (the “TransCo IP”). For the avoidance of doubt, software licensed by Entergy or its Subsidiaries from third parties and not used in the Transmission Business shall not constitute TransCo IP; provided that with respect to any Intellectual Property Rights licensed by Entergy or its Subsidiaries from a third party that are not transferable or sublicensable, Entergy, the Utility OpCos and ESI shall only be obligated to use commercially reasonable efforts to achieve the license of such Intellectual Property Rights to TransCo or a TransCo Sub as applicable, and any external cost of achieving any such license shall be paid by TransCo;

(xv) all warranties pertaining to the Transmission Assets;

(xvi) (A) the rights and interests related to Transmission under any Contract that is related to the Transmission Business and any other business function of Entergy or its Subsidiaries, in each case, to which Entergy, TransCo or any member of their respective Groups is a Party or by which it or any of its Assets is bound (each a “Multifunction Contract”); (B) any other Contract not involving real property rights that is primarily related to the Transmission Business, in each case, to which Entergy, TransCo or any member of their respective Groups is a Party or by which it or any of its Assets is bound, except for any such Contract that is explicitly retained by Entergy or any member of the Entergy Group pursuant to any provision of this Agreement or any Ancillary Agreement; (C) any Contract that permits a third party to attach its facilities to the Transmission Line Facilities and Transmission Substation Facilities; and (D) all Collective Bargaining Agreements (collectively, the “TransCo Contracts”) and all interests, rights, claims and benefits of Entergy and any of its Subsidiaries pursuant to and associated with the TransCo Contracts;

(xvii) (A) all business records primarily related to the Transmission Assets or Transmission Liabilities, including the corporate or limited liability company minute books and related stock records of the members of the TransCo Group, all North American Electric Reliability Corporation compliance records, information and records used to demonstrate compliance with reliability standards for Transmission and any other compliance records related to the Transmission Business, (B) all of the separate financial and property tax records of the members of the TransCo Group that do not form part of the general ledger of Entergy or any of its Affiliates (other than the members of the TransCo Group), (C) all other books, records, ledgers, files, documents, correspondence, lists, plats, drawings, photographs, product literature (including historical), equipment test records, advertising and promotional materials, distribution lists, customer lists, supplier lists, studies, reports, operating, production and other manuals, manufacturing and quality control records and procedures, research and development files, accounting and business books, records, files, documentation and materials, in all cases whether in paper, microfilm, microfiche, computer tape or disc, magnetic tape or any other form, that are primarily related to the Transmission Business and (D) with respect to TransCo Employees and subject to any applicable collective bargaining obligations, performance reviews in respect of the period while employed by a member of the TransCo Group, Forms I-9 and W-4, service credit records, vacation and other leave accrual/balance records, and employee benefit election records in effect as of Closing (collectively, the “TransCo Books and Records”); provided, however, that (x) Entergy shall be entitled to retain a copy of any and all TransCo Books and Records to the extent such specific materials are not exclusively related to the Transmission Business, which shall be subject to the provisions of Article IV and deemed the Confidential Information of TransCo and subject to the provisions of Article VII and (y) neither clause (A) nor clause (C) shall be deemed to include any books, records or other items or portions thereof that are subject to restrictions on transfer pursuant to applicable Laws regarding personally identifiable information or Entergy’s privacy policies regarding personally identifiable information or with respect to which transfer would require any Governmental Approval under applicable Law, unless such records are required to be transferred to TransCo under applicable Law; and (z) Entergy may retain any materials in clauses (A) and (C) that are not reasonably practicable to identify and

extract subject to the right of access pursuant to Section 7.02, provided that such retained materials shall be deemed Confidential Information of TransCo and subject to the provisions of Article VII;

(xviii) all goodwill of the Transmission Business;

(xix) the right to enforce the confidentiality provisions of any confidentiality, non-disclosure or other similar Contracts to the extent related to Confidential Information of the Transmission Business and rights to enforce the assignment provisions of any Contract;

(xx) a copy of any database containing records related to Transmission Land Rights, TransCo Real Property or the Leased Premises;

(xxi) all Franchises to the extent any such Franchise relates exclusively to the Transmission Business and, subject to the limitations on the obligation to convey pursuant to Section 3.10(c), any rights under any Franchises that do not exclusively relate to the Transmission Business;

(xxii) cash in an amount equal to sum of the following, plus any interest accrued thereon (the "Transactional Cash"):

(1) all customer deposits held by any member of the Entergy Group that are related to the provision of Transmission service, construction of Transmission or any provision under Entergy's OATT (collectively, "Customer Deposits"), plus

(2) all customer payments that are exclusively for Transmission Assets or service, or the pro-rata portion that is not for distribution assets or service; and Transmission customer payments for specific customer funded projects (other than that portion specifically for the tax gross up component);

(3) accounts payable relating to the construction or investment in the Transmission Assets as of the Effective Time, excluding any accounts payable in respect of expenses, including operating and maintenance and general and administrative expenses (collectively, "Assumed AP").

(xxiii) all rights of the TransCo Group under this Agreement and the Merger Agreement or any Ancillary Agreement and the certificates, instruments and Transfer Documents delivered in connection therewith;

(xxiv) cash in an amount equal to any unpaid interest on the Entergy Exchangeable Debt that is accrued on or before the Effective Time but not paid until after the Effective Time; and

(xxv) any and all other Assets owned or held immediately prior to the Separation Time by Entergy or any of its Subsidiaries that are exclusively (x) used in, (y)

held for use or future use in or (z) related to, the Transmission Business that are not Excluded Assets.

(b) Notwithstanding Section 3.05(a), the Transmission Assets shall not in any event include any of the following Assets (the “Excluded Assets”):

(i) fiber optic communications lines (including the shield wire enclosing such lines) and microwave communications systems (and related equipment and facilities) located on Transmission Line Facilities and owned or leased by Entergy and its Affiliates;

(ii) meters and instrument transformers exclusively for metering;

(iii) all cash and cash equivalents (including storm reserves and investments and securities but excluding any capital stock or other equity interest in any member of the TransCo Group), bank or other deposit accounts, accounts, receivable and any income, sales, payroll or other tax receivables of Entergy and its Affiliates, other than Transactional Cash;

(iv) the Intellectual Property Rights listed on Schedule 3.05(b)(iv), and any other Intellectual Property Rights in or to which any member of the Entergy Group has any right, title or interest, except the TransCo IP and the Licensed IP;

(v) any compensation, payment or other relief related to a condemnation or taking by eminent domain of any Transmission Asset in an Action settled, consented to or finally adjudicated prior to the Separation Time; provided, that an underlying Action shall be considered finally adjudicated when an order determining any compensation, payments or other relief to be paid with respect to such Action has been issued by a court of competent jurisdiction and has become nonappealable;

(vi) customer payments that are exclusively for distribution assets or service, or the pro-rata portion that is not for Transmission Assets or service; and Transmission customer payments specifically for the tax gross up component for specific customer funded projects;

(vii) (A) The employment and personnel records of Entergy’s and its Affiliates’ employees that are not TransCo Employees and (B) any employment and personnel records of the TransCo Employees the transfer of which is prohibited by collective bargaining obligations;

(viii) all rights to insurance policies or practices of Entergy and its Affiliates (including any captive insurance policies, fronted insurance policies, surety bonds or corporate insurance policies or practices, or any form of self-insurance whatsoever), any refunds paid or payable in connection with the cancellation or discontinuance of any such policies or practices, and any claims made under such policies;

(ix) for the avoidance of doubt, all equipment and facilities exclusively used for the movement of electricity to customers and having nominal voltages below 69 kV;

(x) all rights to causes of action, lawsuits, judgments, claims, counterclaims or demands of Entergy, its Affiliates or any member of the TransCo Group against a party other than ITC or its Affiliates to the extent that they do not relate to the Transmission Assets or the Transmission Business;

(xi) all financial and Tax records relating to the Transmission Business that form part of the general ledger of Entergy or any of its Affiliates (other than the members of the TransCo Group), any working papers of Entergy's auditors, and any other Tax records (including accounting records) of Entergy or any of its Affiliates (other than the members of the TransCo Group); provided that TransCo shall in all events be entitled to copies of any such books and records to the extent related to the Transmission Business or the Transmission Assets;

(xii) any Federal Communications Commission licenses held by any member of the Entergy Group;

(xiii) other than rights to enforce the confidentiality provisions of any confidentiality, non-disclosure or other similar Contracts to the extent related to confidential information of the Transmission Business, all records relating to the negotiation and consummation of the transactions contemplated by this Agreement and all records prepared in connection with the potential divestiture of all or a part of the Transmission Business, including (A) bids received from third parties and analyses relating to such transactions and (B) confidential communications with legal counsel representing Entergy or its Affiliates and the right to assert the attorney-client privilege with respect thereto;

(xiv) all other Permits of Entergy or its Affiliates other than Transferable Permits;

(xv) any and all Assets that are expressly specified by this Agreement or any Ancillary Agreement as Assets to be retained by Entergy or any other member of the Entergy Group; and

(xvi) other than any Asset specifically listed or described in Section 3.05(a) or the Schedules thereto, any and all Assets of Entergy or its Affiliates that are exclusively used, held for exclusive use in, or exclusively related to, businesses of Entergy other than the Transmission Business.

The Parties acknowledge and agree that, except for such rights as are otherwise expressly provided in this Agreement, the Merger Agreement or any Ancillary Agreements, neither TransCo nor any of the TransCo Subs shall acquire or be permitted to retain any right, title or interest in any Excluded Assets through the Conveyance of all of the authorized and outstanding equity interests in the TransCo Subs and that if any of the TransCo Subs owns, leases or has the

right to use any such Excluded Assets, such Excluded Assets shall be Conveyed to Entergy as contemplated by Section 3.03.

Section 3.06 Transmission Liabilities; Excluded Liabilities.

(a) For the purposes of this Agreement, “Transmission Liabilities” shall mean each of the following Liabilities of any of the Utility OpCos, Entergy and its Affiliates, regardless of when or where such Liabilities arose or arise, or whether the facts on which they are based occurred prior to or subsequent to the Separation Time, or where or against whom such Liabilities are asserted or determined or whether asserted or determined prior to the date hereof, including, but in each case excluding the Excluded Liabilities:

(i) fifty percent (50%) of any sales or transfer taxes applicable to the Transactions;

(ii) with respect to the Transmission Business and the Transmission Assets, any and all Liabilities, whether such Liabilities are known or unknown, contingent or accrued, relating to (A) any violation or alleged violation of Environmental Laws, whether prior to, on or after the Separation Time, including fines and penalties associated with such violations and the costs of any necessary corrective actions; (B) wetlands mitigation arising out of or related to Transferable Permits; (C) loss of life or injury to persons due to exposure to asbestos on or after the Separation Time; and (D) the off-site disposal, storage, transport, discharge or Release of Hazardous Materials on or after the Separation Time, including liability for loss of life, injury to persons or property, damage to natural resources or investigation and remediation of environmental media impacted by Hazardous Materials, but excluding in clauses (A) through (D) the Liabilities relating to Environmental Laws set forth on Schedule 3.06(b)(x);

(iii) with respect to those Transmission Assets located on real property subject to the Transmission Land Rights, and said real property, any and all Liabilities, whether such Liabilities are known or unknown, contingent or accrued, relating to: (A) loss of life, injury to persons or property or damage to natural resources (whether or not such loss, injury or damage arose or was made manifest before the Separation Time or arises or becomes manifest on or after the Separation Time) caused (or allegedly caused) by the Release of, or exposure, to Hazardous Materials at, on, in, under, adjacent to or migrating from said Transmission Assets or related real property subject to the Transmission Land Rights prior to, on or after the Separation Time, except as set forth in Section 3.06(b)(ix); and (B) the investigation and/or remediation (whether or not such investigation and/or remediation commenced before the Separation Time or commences on or after the Separation Time) of Hazardous Materials that have been Released prior to, on or after the Separation Time at, on, in, under, adjacent to or migrating from said Transmission Assets or related real property subject to the Transmission Land Rights, except as set forth in Section 3.06(b)(ix);

(iv) all Liabilities under the TransCo Contracts and the assigned portion of any Multifunction Contract, any Franchise, or any other Contract that is assigned to a member of the TransCo Group;

(v) all Liabilities for Taxes applicable to the Transmission Assets with respect to any period (or portion thereof) beginning after the Effective Time;

(vi) all Liabilities relating to leases for the Transmission Assets;

(vii) all Liabilities relating to the TransCo Securities and the TransCo Subs Financings (excluding any expenses and costs of counsel incurred in connection therewith by any member of the TransCo Group or the Entergy Group);

(viii) Transmission credits;

(ix) Customer Deposits;

(x) Assumed AP; and

(xi) except as otherwise provided herein or in the Schedules hereto and subject to Section 3.06(b), all Liabilities of the members of the TransCo Group to the extent arising primarily out of, primarily relating to or otherwise primarily in respect of, the ownership or use of the Transmission Assets or the operation or the conduct of the Transmission Business, whether before, at or after the Separation Time.

(b) Notwithstanding the foregoing, the Transmission Liabilities shall not in any event include any of the following Liabilities (the “Excluded Liabilities”):

(i) fifty percent (50%) of any sales or transfer taxes applicable to the Transactions;

(ii) all Liabilities, including for the avoidance of doubt all Liabilities under or related to any Environmental Laws, of a member of the Entergy Group to the extent relating to, arising out of, resulting from or otherwise in respect of, (A) the ownership or use of the Excluded Assets, other than in the operation or conduct of the Transmission Business, or (B) activities of a member of the Entergy Group at or affecting the Transmission Assets, other than in the operation or conduct of the Transmission Business, in either case (A) or (B) whether before, at or after the Separation Time, and other than as set forth in Section 3.05(a)(iv);

(iii) all Liabilities under Intercompany Accounts and all Liabilities that may arise in connection with the settlement, satisfaction, cancellation, termination or extinguishment of Intercompany Accounts as contemplated by Section 3.09(c);

(iv) all Liabilities for Taxes applicable to the Transmission Assets with respect to any period (or portion thereof) ending on or before the Effective Time;

(v) Liabilities for Indebtedness other than Indebtedness incurred in connection with the Financings; provided that (i) any interest that may accrue and is payable on the Financings (other than the Exchangeable Debt Financing) prior to the Effective Time, (ii) any costs and expenses of the Financings incurred by any member of the TransCo Group prior to the Closing; and (iii) and any interest that may accrue on the

Exchangeable Debt Financing and any other costs or expenses of the Exchangeable Debt Financing of any member of the Entergy Group and the TransCo Group, in each case of (i), (ii), and (iii) shall be an Excluded Liability; provided, however, that, for the avoidance of doubt, any accrued interest, that is not payable prior to the Effective Time, of the TransCo Securities that are exchanged for Entergy Exchangeable Debt shall be a Transmission Liability;

(vi) current liabilities of Entergy and its Affiliates other than the Assumed AP and Customer Deposits to the extent they are current liabilities;

(vii) Liabilities under any Contract for the provision of any services or otherwise that would cause ITC or TransCo or their applicable Subsidiaries to be considered a customer of electricity transmission service or electricity market participant under FERC rules or regulation, except to the extent necessary to operate the Transmission Assets prior to TransCo's full Regional Transmission Organization membership and operation with respect to the Transmission Assets;

(viii) any and all Liabilities arising pursuant to Environmental Law, whether such Liabilities are known or unknown, contingent or accrued, with respect to: (A) the off-site disposal, storage, transport, discharge or Release of Hazardous Materials, prior to the Separation Time, in connection with the ownership and operation of the Transmission Business and Transmission Assets, including liability for loss of life, injury to persons or property, damage to natural resources or investigation and remediation of environmental media impacted by Hazardous Materials; and (B) assets and properties no longer used in the Transmission Business as of the Separation Time to the extent that such assets and properties are not transferred to TransCo;

(ix) with respect to those Transmission Assets located on real property that are not subject to the Transmission Land Rights, any and all Liabilities, whether such Liabilities are known or unknown, contingent or accrued, relating to: (A) loss of life, injury to persons or property or damage to natural resources (whether or not such loss, injury or damage arose or was made manifest before the Separation Time) caused (or allegedly caused) by the Release of, or exposure, to Hazardous Materials (excluding asbestos) at, on, in, under, adjacent to or migrating from said Transmission Assets or related real property, prior to the Separation Time; and (B) the investigation and/or remediation (whether or not such investigation and/or remediation commenced before the Separation Time or commences on or after the Separation Time) of Hazardous Materials that have been Released, prior to the Separation Time, at, on, in, under, adjacent to or migrating from said Transmission Assets or related real property;

(x) with respect to the real property subject to the Transmission Land Rights at which assets and operations of any member of the Entergy Group will remain after the Separation Time, notwithstanding Section 3.05(a)(iv), Liabilities arising from the operations of any member of the Entergy Group after the Separation Time, including (A) loss of life, injury to persons or property or damage to natural resources due to the Release of Hazardous Materials by any member of the Entergy Group after the

Separation Time and (B) the investigation and/or remediation of Hazardous Materials that are Released by any member of the Entergy Group after the Separation Time;

(xi) the Liabilities listed or described on Schedule 3.06(b)(x); and

(xii) all Liabilities that are expressly contemplated by this Agreement or any Ancillary Agreement as Liabilities to be retained or assumed by Entergy or any other member of the Entergy Group, and all Liabilities of any member of the Entergy Group under this Agreement or any of the Ancillary Agreements.

The Parties acknowledge and agree that neither TransCo nor any other member of the TransCo Group shall be required to assume or retain any Excluded Liabilities as a result of the TransCo Transfer, and that if any of the TransCo Subs is liable for any Excluded Liabilities, such Excluded Liabilities shall be assumed by Entergy as contemplated by Section 3.03. Any liability of any member of the Entergy Group not included in any of the clauses of Section 3.06(a) shall be an Excluded Liability, and no Excluded Liability shall be a Transmission Liability.

Section 3.07 Shared Facilities. To the extent separation of facilities that would otherwise fall within the definition of Transmission Common Use Facilities cannot be achieved in a reasonably practicable manner prior to or as soon as practicable after the Separation Time, Entergy and TransCo shall enter into appropriate arrangements regarding such facilities, with terms and conditions intended to approximate those that would result from unrelated parties bargaining at arms length, subject to the consent of ITC. Any costs related to the use of facilities that would otherwise constitute Transmission Common Use Facilities and that are not transferred as of the Distribution Date shall be allocated in a reasonable manner as agreed by Entergy and TransCo, subject to the consent of ITC.

Section 3.08 Treatment of Specific Facilities. Pursuant to Section 1.01, ESI will convey the Transmission Assets held by ESI in the manner contemplated by Schedule 3.08.

Section 3.09 Termination of Intercompany Agreements; Settlement of Intercompany Accounts.

(a) Except as set forth in Section 3.09(b), TransCo, on behalf of itself and each other member of the TransCo Group, on the one hand, and Entergy, on behalf of itself and each other member of the Entergy Group, on the other hand, hereby terminate any and all Contracts, whether or not in writing, between or among TransCo or any member of the TransCo Group, on the one hand, and Entergy or any member of the Entergy Group, on the other hand (the “Related Party Agreements”), effective as of the Distribution Date. No such Contract (including any provision thereof which purports to survive termination) shall be of any further force or effect at or after the Distribution Date and all parties shall be released from all Liabilities thereunder other than the Liability to settle any Intercompany Account as provided in Section 3.09(c). From and after the Distribution Date, no member of either Group shall have any rights or obligations under any Related Party Agreements, except as specifically provided in Schedule 3.09(b), in this Agreement, in the Merger Agreement or the Ancillary Agreements. Each Party shall, at the reasonable request of any other Party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

(b) The provisions of Section 3.09(a) shall not apply to any of the following Contracts (or to any of the provisions thereof):

(i) this Agreement, the Merger Agreement and the Ancillary Agreements (and each other Contract expressly contemplated by this Agreement, the Merger Agreement or any Ancillary Agreement to be entered into or continued by any of the Parties or any of the members of their respective Groups);

(ii) any Contracts to which any Person other than the Parties and their respective Affiliates is a Party; and

(iii) any other Contracts that this Agreement, the Merger Agreement or any Ancillary Agreement expressly contemplates shall survive the Distribution Date.

(c) Each Intercompany Account outstanding immediately prior to the Distribution Date, other than those set forth on Schedule 3.09(c), will be satisfied and/or settled in full in cash or otherwise cancelled and terminated or extinguished (in each case with no further liability or obligation, including in respect of Taxes on ITC or any member of the TransCo Group) by the relevant members of the Entergy Group and the TransCo Group no later than the Distribution Date and prior to the Distribution, in each case in the manner agreed to by the Parties (including, for the avoidance of doubt, ITC). Each Intercompany Account outstanding immediately prior to the Distribution Date set forth on Schedule 3.09(c) shall continue to be outstanding after the Distribution Date (unless previously satisfied in accordance with its terms) and thereafter (i) shall be an obligation of the relevant Party (or the relevant member of such Party's Group), each responsible for fulfilling its (or a member of such Party's Group's) obligations in accordance with the terms and conditions applicable to such obligation and (ii) shall be for each relevant Party (or the relevant member of such Party's Group) an obligation to a third party and shall no longer be an Intercompany Account.

Section 3.10 Third-Party Consents.

(a) Obtaining Consents; Consent Committee. The Parties shall, as promptly as practicable after the date hereof and for a period of two (2) years following the Closing, cooperate with each other (including through the use of the Consent Committee) and use their respective reasonable best efforts to obtain (i) the transfer, assignment or reissuance to TransCo or a member of the TransCo Group of all Transferable Permits and (ii) all Consents and Governmental Approvals of all other Persons to the extent necessary to consummate the TransCo Transfer as required by the terms of any Law, license, permit, concession or Contract to which Entergy or any of its Subsidiaries is a party or by which any of them is bound, subject to the limitations set forth in this Section 3.10; provided, however, that no member of the Entergy Group shall be required to obtain any Consents with respect to any easement, servitude, license, right of way, permit or similar right of any Person affecting, or otherwise with respect to, any Transmission Land Right (the "Transmission Land Right Consents") except for the Transmission Land Right Consents set forth on Schedule 3.10(a) (the "Specified Land Right Consents"); provided, further, that obtaining any such Transmission Land Right Consents or Specified Land Right Consents shall not be a condition to the TransCo Transfer and provided, further, that, no Party or member of the Entergy Group shall be required to make any material

payments, incur any material Liability or offer or grant any material accommodation (financial or otherwise) to any third party to obtain any such Consents. Entergy shall not commit to any third party on behalf of ITC or any member of the TransCo Group to make any material payments, incur any material Liability or offer or grant any material accommodation (financial or otherwise) to any third party to obtain any such Consents that would be a Liability of ITC or any member of the TransCo Group after the Separation Time, without ITC's prior express written consent. For the avoidance of doubt, the required efforts and responsibilities of the Parties to seek the Entergy Regulatory Approvals and the ITC Regulatory Approvals shall be governed by the Merger Agreement. Promptly following the date hereof (and in any case within thirty (30) days) after the date hereof, the Parties shall establish a committee (the "Consent Committee"), composed of at least one (1) manager-level employee of each of ITC and Entergy, which shall be responsible for coordinating and helping to implement the provisions of this Section 3.10(a) (including discussing and agreeing on action plans to resolve any outstanding obligations under this Section 3.10(a)) for a period of time starting on the date hereof and ending two (2) years following the Closing Date. The Consent Committee shall meet telephonically or in person on a monthly basis (during the third week of each month) and after each such meeting, the members of the Consent Committee shall prepare minutes of the meeting and progress reports, which minutes and progress reports shall thereafter be distributed to each of the Parties as determined by such members. The Consent Committee process described in this Section 3.10(a) shall be subject to modification or termination upon mutual consent of ITC and Entergy.

(b) Transfer in Violation of Laws or Requiring Consent or Governmental Approval. If and to the extent that the Conveyance to any member of the TransCo Group of any Transmission Assets or to any member of the Entergy Group of any Excluded Assets would be a violation of applicable Laws or require any Consent or Governmental Approval in connection with the TransCo Transfer that has not been obtained at the Separation Time, then, notwithstanding any other provision hereof, the Conveyance to the TransCo Group of such Transmission Assets or to the Entergy Group of such Excluded Assets (any such Asset, a "Deferred Asset") shall automatically be deferred and no Conveyance shall occur until all legal impediments are removed or such Consents or Governmental Approvals have been obtained (except that (A) any Transmission Land Right that is subject to a Transmission Land Right Consent shall be Conveyed at the Closing, and shall not be deemed to be a Deferred Asset for the purposes of this Section 3.10(b)) and (B) ITC may elect to require the immediate Conveyance of any Transmission Asset and Entergy may elect to require the immediate Conveyance of any Excluded Asset notwithstanding any requirement that an immaterial Consent or immaterial Governmental Approval be obtained; provided, however, that (i) if ITC so elects to require the immediate Conveyance of any Deferred Asset, any Liabilities arising from such Conveyance shall be deemed to be Transmission Liabilities, (ii) if Entergy so elects to require the immediate Conveyance of any such Deferred Asset, any Liabilities arising from such Conveyance shall be deemed to be Excluded Liabilities and (iii) if ITC and Entergy jointly agree to immediately Convey such Deferred Asset, any Liabilities arising from such Conveyance shall be shared evenly between TransCo and Entergy and, notwithstanding any provision in Section 5.07 to the contrary, the defense of any Third-Party Claim relating thereto shall be jointly managed by TransCo and Entergy. Notwithstanding the foregoing, any such Deferred Asset shall still be considered a Transmission Asset or Excluded Asset, as applicable, and the Person retaining such Asset shall thereafter hold such Asset in trust for the benefit,

insofar as reasonably practical (taking into account any applicable restrictions or considerations relating to the contemplated Tax treatment of the Transactions), of the Person entitled thereto (and at such Person's sole expense) until the consummation of the Conveyance thereof. To the extent that any Deferred Asset cannot be Conveyed without the Consent or Governmental Approval of any Person which Consent or Governmental Approval has not been obtained prior to the Separation Time, this Agreement will not constitute an agreement to Convey the same if an attempted Conveyance would constitute a breach thereof or violate any Law. The Parties shall use their reasonable best efforts to develop and implement mutually acceptable arrangements to place the Person entitled to receive such Deferred Asset, insofar as reasonably possible, in the same position as if such Deferred Asset had been Conveyed as contemplated hereby and so that all the benefits and burdens relating to such Deferred Asset, including possession, use, risk of loss, potential for gain, any Tax Liabilities in respect thereof and dominion, control and command over such Deferred Asset, are to inure from and after the Separation Time; provided, that no such arrangements will be deemed to have caused the Closing conditions in Section 9.01 to have been satisfied unless, after giving effect to the foregoing, TransCo would, without being in breach of applicable Law or the applicable Contracts, be able to operate, own or use the Transmission Assets in all material respects in the manner operated, used or owned by Entergy and the Entergy Group prior to the Separation Date. If and when the legal or contractual impediments the presence of which caused the deferral of transfer of any Deferred Asset pursuant to this Section 3.10(b) are removed or any Consents and/or Governmental Approvals the absence of which caused the deferral of transfer of any Deferred Asset pursuant to this Section 3.10(b) are obtained, the transfer of the applicable Deferred Asset shall be effected in accordance with the terms of this Agreement and/or such applicable Ancillary Agreement. The obligations set forth in this Section 3.10(b) shall terminate on the two (2) year anniversary of the Closing Date.

(c) Franchises. The Parties acknowledge and agree that certain state and local Governmental Authorities have granted to members of the Entergy Group franchises, concessions or similar Permits (each, a "Franchise") that generally grant the right to transmit, distribute, sell and supply electricity within the boundaries of such Governmental Authority and the right to erect, operate and maintain its facilities on the public places of such Governmental Authority for the purpose of transmitting, distributing, selling and supplying electricity. To the extent any Franchise does not exclusively relate to the Transmission Business, each such Franchise shall be partially assigned by Entergy or the applicable member of the Entergy Group to TransCo or the applicable member of the TransCo Group (as applicable) for the right, privilege and authority related to Transmission, to the extent applicable, such as (i) to provide Transmission services, (ii) to operate the Transmission Business and (iii) to construct, maintain, operate and extend Transmission services for such purposes and to enter on, under and upon and use any and all of the streets, alleys, avenues, bridges, and other public grounds and ways belonging to, and under the control of the Governmental Authority, for the purpose of erecting and maintaining, repairing, replacing and operating poles, wires, anchors, stubs, transformers, transmission substations, cables, conduits and other related facilities, appliances and apparatus which are necessary for or useful in the furnishing of electric Transmission. To the extent that any Franchise cannot be partially assigned to TransCo or the applicable member of the TransCo Group (as applicable), from and after the date of this Agreement, through the Closing Date and for a period of two (2) years after the Closing Date, each of Entergy, ITC and each member of the TransCo Group shall use their respective reasonable best efforts to obtain, and to cooperate

to obtain, for TransCo or the applicable member of the TransCo Group, replacement Franchises or similar Permits for TransCo or the applicable member of the TransCo Group (as applicable), for the right to operate the Transmission Business in, and erect, operate and maintain the Transmission Assets on, the public places of the applicable Governmental Authority, it being understood that obtaining any replacement Franchise or Permit shall not be a condition to the TransCo Transfer.

(d) Multifunction Contracts. Entergy (including on behalf of the other members of the Entergy Group) shall use commercially reasonable efforts to separate and cause the applicable member of the TransCo Group to enter into new agreements with the counter parties to the Multifunction Contracts prior to the Separation. To the extent that Entergy is unable or the counter parties are unwilling to enter into agreements with respect to any Multifunction Contract, Entergy (or the applicable member of the Entergy Group) will partially assign the Transmission functions to TransCo (but only if such Multifunction Contract is assignable) and in the event that such partial assignment is not permitted by the terms of the applicable Multifunction Contract or consented to by the applicable counterparty, Entergy shall use commercially reasonable efforts to provide for an alternative arrangement so that the applicable member of the TransCo Group will have the benefits of such Multifunction Contract as though it had been partially assigned. ITC shall cooperate with Entergy in connection with the entering into of any new agreement or partial assignment.

Section 3.11 Allocation Matters. In connection with the RTO Migration, certain operating and other systems will require new configurations or new systems. The costs and expenses of such configurations or to implement such new systems will be paid by the applicable Utility OpCo. At the Effective Time, each Utility OpCo will transfer as part of the TransCo Transfer such operating and other systems so that, after taking into account the Ancillary Agreements entered into in connection with this Agreement, TransCo is capable of operating the Transmission Business. After the Separation Date any costs incurred in connection with the operation of the Transmission Business on a stand alone basis (i.e., after the expiration of the applicable Ancillary Agreement) shall be borne by TransCo or the applicable TransCo Sub.

Section 3.12 Post-Closing Transfers. In the event that after the Effective Time, Entergy or any of its Affiliates owns any asset in its service territory that would have been included in the Transmission Assets as a Transmission Line Facility or Transmission Substation Facility (including Transmission Land Rights related thereto necessary to operate the Transmission Asset) ("Transferable Assets") had the events described in this sentence occurred prior to the Effective Time, through (i) future system modifications resulting in the reclassification to transmission of any distribution lines or substation equipment or (ii) an acquisition (excluding any acquisition of an integrated utility company that includes a Transmission business) or construction of any facilities, Assets or equipment, Entergy or its relevant Affiliates shall convey to ITC ownership of such after-acquired Transmission Assets. In the event that after the Effective Time, ITC or any of its Affiliates owns any "distribution" asset in its service territory through future system modifications resulting in the reclassification of any facilities, Assets or equipment, ITC or its relevant Affiliates shall convey to Entergy ownership of such "distribution" assets. The price to be paid for any facility, asset or equipment, or group of related facilities, assets or equipment, so conveyed with a Net Book Value less than \$10,000,000 shall be priced equal to the Net Book Value of such facilities, asset or equipment, but in any case shall not be less than zero dollars

(i.e., no payment will occur as a result of the Net Book Value being less than zero), and any facility, asset or equipment, or group of related facilities, assets or equipment, so conveyed with a Net Book Value equal to or greater than \$10,000,000 shall be conveyed for an amount as mutually agreed to by ITC and Entergy. If the Parties cannot agree on such an amount within sixty (60) days of initiation of discussions, such assets will not be conveyed and the application of this Section 3.12 with respect to such assets shall cease. If at the conclusion of such sixty (60) day period the Parties are unable to agree on such amount, the Parties shall submit the matter to an independent third party valuation expert reasonably acceptable to both Parties who shall be directed by the Parties to conduct the valuation pursuant to “baseball arbitration” in which the valuation expert will be instructed to make its determination as between the two positions. All conveyances discussed in this paragraph shall be subject to any required approvals from Governmental Authorities and all applicable provisions of the Distribution-Transmission Interconnection Agreement and/or the Generation Interconnection Agreement. Each Party agrees to use reasonable best efforts to obtain any consents or approvals from any Governmental Authority necessary to consummate the transactions contemplated by this Section 3.12. For purposes of this Section 3.12, the “service territory” as it relates to Entergy’s obligations shall mean the geographic territory in which, prior to the Effective Time, Entergy and its Affiliates conduct the Transmission Business. For purposes of this Section 3.12, the “service territory” as it relates to ITC’s obligations shall mean the geographic territory in which, immediately following the Effective Time, ITC conducts the business directly related to the Transmission Assets. This Section 3.12 shall survive for five (5) years from the Effective Time; provided, however, that this Section 3.12 shall not apply to any specific Transferable Assets to the extent that the Entergy Regional State Committee shall unanimously determine that such Transferable Assets may not be transferred as contemplated by this Section 3.12.

Section 3.13 Supplemental Upgrades. Entergy and ITC agree that ITC’ revenue requirement for Supplemental Upgrades (as that term is defined in Entergy OATT) funded by members of the Entergy Group will be calculated using the ITC FERC-approved Transmission Formula Rate and collected from each member of the Entergy Group as appropriate given each Entergy Group member’s funding of such Supplemental Upgrades, rather than collected from all ITC Group wholesale customers under the same ITC FERC-approved Transmission Formula Rate.

Section 3.14 Securitization Costs. Entergy acknowledges and agrees that no member of the ITC Group shall be responsible to Entergy or to any storm restoration securitization entity for any payments or fund remittal relating to previously-securitized storm costs.

Section 3.15 No Representation or Warranty. EACH OF ITC, ENTERGY, THE UTILITY OPCOS, ESI AND TRANSCO (ON BEHALF OF ITSELF AND EACH OTHER MEMBER OF THE TRANSCO GROUP) UNDERSTANDS AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH HEREIN, IN THE MERGER AGREEMENT OR IN ANY ANCILLARY AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS AGREEMENT, THE MERGER AGREEMENT, ANY ANCILLARY AGREEMENT OR OTHERWISE, NO PARTY TO THIS AGREEMENT, THE MERGER AGREEMENT, ANY ANCILLARY AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS AGREEMENT, THE

MERGER AGREEMENT, ANY ANCILLARY AGREEMENT OR OTHERWISE, IS REPRESENTING OR WARRANTING IN ANY WAY AS TO THE ASSETS, BUSINESSES OR LIABILITIES CONTRIBUTED, TRANSFERRED, DISTRIBUTED OR ASSUMED AS CONTEMPLATED HEREBY OR THEREBY, AS TO ANY CONSENTS OR GOVERNMENTAL APPROVALS REQUIRED IN CONNECTION HERewith OR THEREWITH, AS TO THE VALUE OR FREEDOM FROM ANY SECURITY INTERESTS OF, OR ANY OTHER MATTER CONCERNING, ANY ASSETS OF SUCH PARTY, OR AS TO THE ABSENCE OF ANY DEFENSES OR RIGHT OF SETOFF OR FREEDOM FROM COUNTERCLAIM WITH RESPECT TO ANY ACTION OR OTHER ASSET, INCLUDING ACCOUNTS RECEIVABLE, OF ANY PARTY, OR AS TO THE LEGAL SUFFICIENCY OF ANY CONTRIBUTION, DISTRIBUTION, ASSIGNMENT, DOCUMENT, CERTIFICATE OR INSTRUMENT DELIVERED HEREUNDER TO CONVEY TITLE TO ANY ASSET OR THING OF VALUE UPON THE EXECUTION, DELIVERY AND FILING HEREOF OR THEREOF. FOR THE AVOIDANCE OF DOUBT, THIS SECTION 3.15 SHALL HAVE NO EFFECT ON ANY REPRESENTATION OR WARRANTY MADE HEREIN, IN THE MERGER AGREEMENT OR IN ANY ANCILLARY AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS AGREEMENT, THE MERGER AGREEMENT, ANY ANCILLARY AGREEMENT OR OTHERWISE.

ARTICLE IV

COMPLETION OF THE TRANSCO TRANSFER

Section 4.01 Separation Time. Subject to the satisfaction and waiver of the conditions set forth in Article IX, the effective time and date of each Conveyance and assumption of any Asset or Liability in accordance with Article III in connection with the TransCo Transfer shall be 12:01 a.m., Central Time, on a day that is no more than one day before the Closing Date as Entergy may reasonably determine with the Internal Restructuring pursuant to and subject to the conditions in Section 1.01 (such time, the “Separation Time,” and such date the “Separation Date”) or such other time as determined pursuant to Section 3.10.

Section 4.02 Separation Deliveries.

(a) Agreements to be Delivered by Entergy. On the Separation Date, Entergy shall deliver, or shall cause its appropriate Subsidiaries to deliver, to TransCo all of the following instruments:

(i) all Transfer Documents as described in Section 4.04 and Section 4.05;

(ii) the Generation Interconnection Agreement, in a form to be negotiated in good faith within sixty (60) calendar days after the date hereof, which shall document the existing Entergy Group’s generating stations interconnected to the then-existing Transmission system of the Entergy Group and provide the terms under which such generation stations interconnect with the Transmission system of the applicable member of the TransCo Group following the Separation Date and shall contain such terms and conditions as are usual and customary for such types of agreements (the

“Generation Interconnection Agreement”), duly executed by the members of the Entergy Group party thereto;

(iii) the Distribution-Transmission Interconnection Agreement substantially in the form attached hereto as Exhibit A (the “Distribution-Transmission Interconnection Agreement”), duly executed by the members of the Entergy Group party thereto;

(iv) the Transition Services Agreements, in a form to be negotiated in good faith within sixty (60) calendar days after the date hereof, which shall address how the applicable Parties will provide transition services to each other that are necessary to ensure the efficient and uninterrupted operation of the Transmission Business and the other businesses of Entergy immediately following the consummation of the TransCo Transfer (but with respect to the other businesses of Entergy, only to the extent that such disruption is a result of the TransCo Transfer); provided that the terms of any services shall be limited to one (1) year from the Closing Date, plus up to two (2) extensions at either Party’s option for up to six (6) months each, and shall contain such other terms and conditions as are usual and customary for such type of agreement, but in a manner that protects ITC’s independence for purposes of FERC requirements; provided, further, that the costs of services provided by Entergy shall be on an actual cost of services basis (the “Transition Services Agreements”), duly executed by the members of the Entergy Group party thereto;

(v) the Software/IP License Agreement, which shall include the licenses in Section 3.05(a)(vi)(3) and Section 3.05(a)(xiv), within sixty (60) calendar days after the date hereof and containing such terms and conditions as are usual and customary for such types of agreements (the “Software/IP License Agreement”), duly executed by the members of the Entergy Group party thereto;

(vi) the Telecom Agreement, within sixty (60) calendar days after the date hereof, which shall (A) provide the terms under which the applicable members of the TransCo Group will utilize the Entergy Group’s telecommunications systems that support operations of the Transmission Business until such time as use of such systems by the applicable members of the TransCo Group are no longer necessary, (B) provide that the applicable members of the TransCo Group shall have a right of use for Transmission function purposes with respect to any such systems owned or leased by a Utility OpCo, which right of use shall have preferential use over any contractual right of a third party or Affiliate of such Utility OpCo to use such systems which contractual right was not in existence as of the Separation Date, and (C) shall contain such terms and conditions as are usual and customary for such types of agreements (the “Telecom Agreement”), duly executed by the members of the Entergy Group party thereto;

(vii) the Joint Use / Pole Attachment Agreement, within sixty (60) calendar days after the date hereof, which shall provide the terms under which facilities of the Entergy Group and other third parties shall be allowed to remain attached to facilities of the applicable members of the TransCo Group after the Effective Date and shall contain such terms and conditions as are usual and customary for such types of

agreements, duly by members of the Entergy Group party thereto (the “Joint Use / Pole Attachment Agreement”); and

(viii) any other Ancillary Agreements to which the Parties mutually agree.

(b) Agreements to be Delivered by TransCo. On the Separation Date, TransCo shall deliver, or shall cause the TransCo Subs to deliver, as appropriate, to Entergy, in each case where any member of the TransCo Group is a party to any Ancillary Agreement, a counterpart of such Ancillary Agreement duly executed by each member of the TransCo Group that is a party thereto.

(c) Document Delivery. On the Separation Date, Entergy shall deliver, or shall cause its appropriate Subsidiaries to deliver, to TransCo the TransCo Books and Records, TransCo Contracts and any other documents that are Transmission Assets.

Section 4.03 Certain Resignations. At or prior to the Distribution Date, Entergy shall cause each employee and director of Entergy and its Subsidiaries who will not be employed by TransCo or a TransCo Sub after the Distribution Date to resign, effective not later than the Distribution Date, from all boards of directors or similar governing bodies of TransCo or any TransCo Sub on which they serve, and from all positions as officers of TransCo or any TransCo Sub in which they serve.

Section 4.04 Transfer of Transmission Assets and Assumption of Transmission Liabilities. In furtherance of the Conveyance of Transmission Assets and Transmission Liabilities provided in Section 3.01 and Section 3.02, on the Separation Date (and thereafter at any time upon the request of TransCo), (a) Entergy shall execute and deliver, and shall cause its Subsidiaries to execute and deliver, such bills of sale, stock powers, certificates of title and assignments of Contracts and Franchises (to the extent contemplated by Section 3.10(c)), Transferred IP, Consents (to the extent obtained) and Transferable Permits, easements, leases, deeds and other instruments of Conveyance (in each case in a form that is consistent with the terms and conditions of this Agreement, and otherwise customary in the jurisdiction in which the relevant Assets are located and reasonably acceptable to the Parties), as and to the extent reasonably necessary or appropriate to evidence the Conveyance of all of Entergy’s and its Subsidiaries’ (other than TransCo and the TransCo Subs) right, title and interest in and to the Transmission Assets to TransCo and the TransCo Subs (it being understood that no such bill of sale, stock power, certificate of title, deed, assignment or other instrument of Conveyance shall require Entergy or any of its Affiliates to make any additional representations, warranties or covenants, expressed or implied, not contained in this Agreement except to the extent required to comply with applicable Law, and in which case the Parties shall enter into such supplemental agreements or arrangements as are effective to preserve the allocation of economic benefits and burdens contemplated by this Agreement), and (b) TransCo shall execute and deliver such assumptions of Contracts and other instruments of assumption or Conveyance (in each case in a form that is consistent with the terms and conditions of this Agreement, and otherwise customary in the jurisdiction in which the relevant Liabilities are located and reasonably acceptable to the Parties) as and to the extent reasonably necessary to evidence the valid and effective assumption

of the Transmission Liabilities by TransCo. All of the foregoing documents contemplated by this Section 4.04 shall be referred to collectively herein as the “Entergy Transfer Documents.”

Section 4.05 Transfer of Excluded Assets; Assumption of Excluded Liabilities. In furtherance of the Conveyance of Excluded Assets and the assumption of Excluded Liabilities provided in Section 3.03: (a) TransCo shall execute and deliver, and shall cause the TransCo Subs to execute and deliver, such bills of sale, certificates of title, assignments of Contracts and other instruments of Conveyance (in each case in a form that is consistent with the terms and conditions of this Agreement, and otherwise customary in the jurisdiction in which the relevant Assets are located and reasonably acceptable to the Parties) as and to the extent reasonably necessary or appropriate to evidence the Conveyance of all of TransCo’s and the TransCo Subs’ right, title and interest in and to the Excluded Assets to Entergy and its Subsidiaries (other than TransCo and the TransCo Subs) (it being understood that no such bill of sale, stock power, certificate of title, deed, assignment or other instrument of Conveyance shall require TransCo or any of its Affiliates to make any additional representations, warranties or covenants, expressed or implied, not contained in this Agreement except to the extent required to comply with applicable local Law, and in which case the Parties shall enter into such supplemental agreements or arrangements as are effective to preserve the allocation of economic benefits and burdens contemplated by this Agreement) and (b) Entergy shall execute and deliver such assumptions of Contracts and other instruments of assumption or Conveyance (in each case in a form that is consistent with the terms and conditions of this Agreement, and otherwise customary in the jurisdiction in which the relevant Liabilities are located and reasonably acceptable to the Parties) as and to the extent reasonably necessary to evidence the valid and effective assumption of the Excluded Liabilities by Entergy. All of the foregoing documents contemplated by this Section 4.05, together with the Entergy Transfer Documents, the “Transfer Documents.”

ARTICLE V

MUTUAL RELEASES; INDEMNIFICATION

Section 5.01 Release of Pre-Distribution Date Claims.

(a) TransCo Release. Except as provided in Section 5.01(d), Section 5.03 and Section 5.04, effective as of the Effective Time, TransCo does hereby, for itself and for each other member of the TransCo Group and all Persons who at any time prior to the Effective Time were directors, officers, partners, managers, employees or agents of any member of the TransCo Group (in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, release and forever discharge each of the Entergy Indemnitees from any and all Liabilities whatsoever (including any right of contribution), whether arising under any Contract, by operation of Law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur on or before the Effective Time or any conditions existing or alleged to have existed on or before the Effective Time, including in connection with the transactions and all other activities to implement the TransCo Transfer. Without limitation, the foregoing release includes a release of any rights and benefits with respect to such Liabilities that TransCo and each member of the TransCo Group, and their respective successor and assigns, now has or in the future may have conferred upon them by virtue of any statute or

common law principle which provides that a general release does not extend to claims which a party does not know or suspect to exist in its favor at the time of executing the release, if knowledge of such claims would have materially affected such party's settlement with the obligor. In this connection, TransCo hereby acknowledges that it is aware that factual matters now unknown to it may have given or may hereafter give rise to Liabilities that are presently unknown, unanticipated and unsuspected, and it further agrees that this release has been negotiated and agreed upon in light of that awareness and it nevertheless hereby intends to release the Entergy Indemnitees from the Liabilities described in the first sentence of this Section 5.01(a).

(b) Entergy Release. Except as provided in Section 5.01(d) and Section 5.02, effective as of the Effective Time, Entergy does hereby, for itself and for each other member of the Entergy Group (except the Utility OpCos and ESI) and all Persons who at any time prior to the Effective Time were directors, officers, partners, managers, employees or agents of any member of the Entergy Group (except the Utility OpCos and ESI) (in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, release and forever discharge each of the TransCo Indemnitees from any and all Liabilities whatsoever (including any right of contribution), whether arising under any Contract, by operation of Law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur on or before the Effective Time or any conditions existing or alleged to have existed on or before the Effective Time, including in connection with the transactions and all other activities to implement the TransCo Transfer. Without limitation, the foregoing release includes a release of any rights and benefits with respect to such Liabilities that Entergy and each member of the Entergy Group, and their respective successor and assigns, now has or in the future may have conferred upon them by virtue of any statute or common law principle which provides that a general release does not extend to claims which a party does not know or suspect to exist in its favor at the time of executing the release, if knowledge of such claims would have materially affected such party's settlement with the obligor. In this connection, Entergy hereby acknowledges that it is aware that factual matters now unknown to it may have given or may hereafter give rise to Liabilities that are presently unknown, unanticipated and unsuspected, and it further agrees that this release has been negotiated and agreed upon in light of that awareness and it nevertheless hereby intends to release the TransCo Indemnitees from the Liabilities described in the first sentence of this Section 5.01(b).

(c) ESI and Utility OpCo Release. Except as provided in Section 5.01(d) and Section 5.02, effective as of the Effective Time, each of the Utility OpCos and ESI does hereby, for itself and all Persons who at any time prior to the Effective Time were directors, officers, partners, managers, employees or agents of any of the Utility OpCos or ESI (in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, release and forever discharge each of the TransCo Indemnitees from any and all Liabilities whatsoever (including any right of contribution), whether arising under any Contract, by operation of Law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur on or before the Effective Time or any conditions existing or alleged to have existed on or before the Effective Time, including in connection with the transactions and all other activities to implement the TransCo Transfer. Without limitation, the foregoing release

includes a release of any rights and benefits with respect to such Liabilities that each of the Utility OpCos and ESI, and their respective successors and assigns, now has or in the future may have conferred upon them by virtue of any statute or common law principle which provides that a general release does not extend to claims which a party does not know or suspect to exist in its favor at the time of executing the release, if knowledge of such claims would have materially affected such party's settlement with the obligor. In this connection, each of the Utility OpCos and ESI hereby acknowledges that it is aware that factual matters now unknown to it may have given or may hereafter give rise to Liabilities that are presently unknown, unanticipated and unsuspected, and it further agrees that this release has been negotiated and agreed upon in light of that awareness and it nevertheless hereby intends to release the TransCo Indemnitees from the Liabilities described in the first sentence of this Section 5.01(c).

(d) No Impairment. Nothing contained in Section 5.01(a), Section 5.01(b) or Section 5.01(c) shall (i) limit or otherwise affect any Party's rights or obligations pursuant to or contemplated by this Agreement, the Merger Agreement or any Ancillary Agreement, in each case in accordance with its terms, including (A) the obligation of TransCo to assume and satisfy the Transmission Liabilities, (B) the obligation of Entergy, ESI or the Utility OpCos to retain, assume and satisfy the Excluded Liabilities and (C) the obligations of Entergy, ESI, the Utility OpCos, ITC and TransCo to perform their obligations and indemnify each other under this Agreement, including pursuant to this Article V, and the Ancillary Agreements or (2) apply to any Liability the release of which would result in the release of any Person other than a Person expressly released pursuant to Section 5.01(a), Section 5.01(b) or Section 5.01(c).

(e) No Actions as to Released Claims. Following the Closing, each of ITC and TransCo shall not, and shall cause each of their respective Affiliates not to, make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against Entergy or any member of the Entergy Group, or any other Person released with respect to any Liabilities released pursuant to Section 5.01(a). Entergy shall not, and shall cause each other member of the Entergy Group (except the Utility OpCos and ESI) not to, make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against TransCo or any of its Affiliates, or any other Person released with respect to any Liabilities released pursuant to Section 5.01(b). ESI and each of the Utility OpCos shall not make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against TransCo or any of its Affiliates, or any other Person released with respect to any Liabilities released pursuant to Section 5.01(c).

In addition, nothing in this Section 5.01 shall release TransCo or any other member of the TransCo Group from indemnifying any current or former director, officer, manager, employee or agent of Entergy, any Utility OpCo, ESI or any other member of the Entergy Group who was a director, officer, manager, employee or agent of TransCo or any other member of the TransCo Group prior to the Distribution Date if such person was entitled to a right of indemnification pursuant to the organizational documents of TransCo or any TransCo Sub or pursuant to any Contract, it being understood that if the underlying obligation giving rise to such right to indemnification is (a) an Excluded Liability retained by Entergy or any other member of the Entergy Group (other than ESI or a Utility OpCo), Entergy shall indemnify TransCo for such

Liability (including TransCo's costs to indemnify such director, officer, manager, employee or agent) in accordance with the provisions in Section 5.03 and (b) an Excluded Liability retained by ESI or a Utility OpCo, ESI or such Utility OpCo, as the case may be, shall indemnify TransCo for such Liability (including TransCo's costs to indemnify such director, officer, manager, employee or agent) in accordance with the provisions in Section 5.04.

Section 5.02 Indemnification by ITC and the TransCo Group. Except as otherwise provided in the Merger Agreement or any Ancillary Agreement, from and after the Effective Time, ITC and TransCo shall, on a joint and several basis, indemnify, defend and hold harmless the Entergy Indemnitees from and against, and shall reimburse such Entergy Indemnitees with respect to, any and all Losses that result from, relate to or arise, whether prior to or following the Effective Time, out of any of the following items (without duplication):

- (a) the Transmission Liabilities, including after the Effective Time, the failure of TransCo or any other member of the TransCo Group or any other Person to pay, perform, fulfill, discharge and, to the extent applicable, comply with, in due course and in full, any such Liabilities;
- (b) any breach by ITC, TransCo or any other member of the TransCo Group of any obligations to be performed by such Persons pursuant to this Agreement or the Ancillary Agreements subsequent to the Effective Time; and
- (c) any breach by ITC or any of its Affiliates of any covenant or inaccuracy of any representation and warranty of ITC that survives the Closing under Section 8.01 of the Merger Agreement.

Section 5.03 Indemnification by Entergy. Except as otherwise provided in the Merger Agreement or any Ancillary Agreement, from and after the Effective Time, Entergy shall indemnify, defend (or, where applicable, pay the defense costs for) and hold harmless the TransCo Indemnitees from and against, and shall reimburse such TransCo Indemnitees with respect to, any and all Losses that result from, relate to or arise, whether prior to or following the Effective Time, out of any of the following items (without duplication):

- (a) any Excluded Liabilities retained by Entergy or any member of the Entergy Group, including the failure of Entergy or any other member of the Entergy Group or any other Person to pay, perform, fulfill, discharge and, to the extent applicable, comply with, in due course and in full, any such Liabilities, provided, however, that for purposes of this Section 5.03(a), "member of any Entergy Group" shall not include any Utility OpCo;
- (b) any breach by Entergy or any other member of the Entergy Group of any obligations to be performed by such Persons pursuant to this Agreement or the Ancillary Agreements subsequent to the Separation Time; and
- (c) any breach by Entergy or any of its Affiliates of any covenant or inaccuracy of any representation and warranty made by Entergy that survives the Closing under Section 8.01 of the Merger Agreement.

Section 5.04 Indemnification by the Utility OpCos. Except as otherwise provided in the Merger Agreement or any Ancillary Agreement, from and after the Effective Time, each Utility OpCo, shall indemnify, defend and hold harmless the TransCo Indemnitees from and against, and shall reimburse such TransCo Indemnitees with respect to, any and all Losses that result from, relate to or arise, whether prior to or following the Effective Time, out of any of the following items (without duplication):

(a) any Excluded Liabilities retained by such Utility OpCo, including the failure of such Utility OpCo to pay, perform, fulfill, discharge and, to the extent applicable, comply with, in due course and in full, any such Liabilities; and

(b) any breach by such Utility OpCo of any obligations to be performed by such Persons pursuant to this Agreement or the Ancillary Agreements.

Section 5.05 Survival. No claim or cause of action for indemnification under Section 5.02(c) or Section 5.03(c), in each case with respect to a breach or any inaccuracy of any representation and warranty only, may be made following the termination of the applicable survival period set forth in Section 8.01 of the Merger Agreement; it being understood that in the event notice of any claim for indemnification under Section 5.02(c) or Section 5.03(c) shall have been given within the applicable survival period set forth in Section 8.01 of the Merger Agreement, it being understood that in the event notice of any claim for indemnification under Section 5.02(c) or Section 5.03(c) shall have been given within the applicable survival period set forth in Section 8.01 of the Merger Agreement, the representations and warranties that are the subject of such indemnification claim shall survive until such time as such claim is finally resolved. For purposes of this Article V in determining whether any representation or warranty, as applicable, set forth in the Merger Agreement is inaccurate, and for purposes of determining the amount of Losses resulting therefrom, any and all “ITC MAE,” “Transmission Business MAE,” “materiality” and similar exceptions and qualifiers set forth in any such representations and warranties shall be disregarded.

Section 5.06 Baskets and Cap. ITC and TransCo’s obligation to indemnify Entergy Indemnitees for Losses pursuant to Section 5.02(c) (with respect to a breach or inaccuracy of any representation and warranty only) and Entergy’s obligation to indemnify TransCo Indemnitees for Losses pursuant to Section 5.03(c) (with respect to a breach or inaccuracy of any representation and warranty only) are subject to the limitation that no indemnification shall be made by (a) ITC and TransCo or (b) Entergy, as the case may be, with respect to any claim (including any Losses) unless (1) the Losses relating to such claim or series of related claims is greater than \$250,000, and in any such event, if such Losses do not exceed \$250,000, such Losses shall not be applied to or considered for purposes of determining whether Losses have accrued in excess of a Basket, and the aggregate amount of Losses for which indemnification may be sought hereunder exceeds eighteen million nine hundred thirty thousand dollars (\$18,930,000) (each, a “Basket”), at which point (i) ITC and TransCo or (ii) Entergy, as the case may be, shall be liable for the amount of such Losses in excess of the applicable Basket. In no event shall ITC and TransCo’s obligation to indemnify Entergy Indemnitees for applicable Losses pursuant to Section 5.02(c) or Entergy’s obligation to indemnify TransCo Indemnitees for Losses pursuant to Section 5.03(c) exceed seven hundred fifty seven million dollars (\$757,000,000) in the aggregate.

Section 5.07 Procedures for Indemnification.

(a) An Indemnitee shall give the Indemnifying Party notice of any matter that an Indemnitee has determined has given or would reasonably be expected to give rise to a right of indemnification under this Agreement (other than a Third-Party Claim which shall be governed by Section 5.07(b)), within twenty (20) Business Days of such determination, stating the amount of the Loss claimed, if known, and method of computation thereof, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed by such Indemnitee or arises; provided, however, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations except and solely to the extent the Indemnifying Party shall have been materially prejudiced as a result of such failure.

(b) If a claim or demand is made against an Entergy Indemnitee or a TransCo Indemnitee (each, an "Indemnitee") by any Person who is not a party to this Agreement or an Affiliate of a Party (a "Third-Party Claim") as to which such Indemnitee is or reasonably expects to be entitled to indemnification pursuant to this Agreement, such Indemnitee shall notify the Party that is or may be required pursuant to this Article V or pursuant to any Ancillary Agreement to make such indemnification (the "Indemnifying Party") in writing, and in reasonable detail, of the Third-Party Claim promptly (and in any event within thirty (30) calendar days) after receipt by such Indemnitee of written notice of the Third-Party Claim; provided, however, that the failure to provide notice of any such Third-Party Claim pursuant to this sentence shall not release the Indemnifying Party from any of its obligations except and solely to the extent the Indemnifying Party shall have been materially prejudiced as a result of such failure (except that the Indemnifying Party or Parties shall not be liable for any expenses incurred by the Indemnitee in defending such Third-Party Claim during the period in which the Indemnitee failed to give such notice). Thereafter, the Indemnitee shall deliver to the Indemnifying Party, promptly (and in any event within ten (10) Business Days) after the Indemnitee's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third-Party Claim.

(c) Other than in the case of any Liability being managed by a Party in accordance with any Ancillary Agreement or as provided in Section 5.09(a), an Indemnifying Party shall be entitled (but shall not be required) to assume, control the defense of, and settle any Third-Party Claim, at such Indemnifying Party's own cost and expense and by such Indemnifying Party's own counsel, which counsel must be reasonably acceptable to the applicable Indemnitees, if it gives written notice of its intention to do so and agreement that the Indemnitee is entitled to indemnification under this Article V to the applicable Indemnitees within thirty (30) calendar days of the receipt of notice from such Indemnitees of the Third-Party Claim. After such notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third-Party Claim, such Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise or settlement thereof, at its own expense and, in any event, shall reasonably cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party all witnesses, pertinent and material Information and materials in such Indemnitee's possession or under such Indemnitee's control relating thereto as are reasonably required by the Indemnifying Party; provided, however, that such access shall not require the Indemnitee to disclose any information the

disclosure of which would, in the reasonable judgment of the Indemnitee, result in the loss of any existing attorney-client privilege with respect to such information or violate any applicable Law.

(d) Notwithstanding anything to the contrary in this Section 5.07, in the event that (i) an Indemnifying Party elects not to assume responsibility for defending a Third-Party Claim, (ii) there exists a conflict of interest or potential conflict of interest between the Indemnifying Party and the applicable Indemnitee(s), (iii) any Third-Party Claim seeks an order, injunction or other equitable relief or relief for other than money damages against the Indemnitee, (iv) the Indemnifying Party shall not have employed counsel to represent the Indemnitee within thirty (30) calendar days after notice from the Indemnitee of such Third-Party Claim, (v) the Indemnitee's exposure to Liability in connection with such Third-Party Claim is reasonably expected to exceed the Indemnifying Party's exposure in respect of such Third-Party Claim taking into account the indemnification obligations hereunder or (vi) the party making such Third-Party Claim is a Governmental Authority with regulatory authority over the Indemnitee or any of its material Assets, such Indemnitee(s) shall be entitled to assume the defense of such Third-Party Claim, at the Indemnifying Party's expense, with counsel of such Indemnitee's choosing. If the Indemnitee is conducting the defense against any such Third-Party Claim, the Indemnifying Party shall reasonably cooperate with the Indemnitee in such defense and make available to the Indemnitee all witnesses, pertinent and material Information and materials in such Indemnifying Party's possession or under such Indemnifying Party's control relating thereto as are reasonably required by the Indemnitee; provided, however, that such access shall not require the Indemnifying Party to disclose any information the disclosure of which would, in the reasonable judgment of the Indemnifying Party, result in the loss of any existing attorney-client privilege with respect to such information or violate any applicable Law.

(e) Unless the Indemnifying Party has failed to assume the defense of the Third-Party Claim in accordance with the terms of this Agreement, no Indemnitee may settle or compromise any Third-Party Claim without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld, conditioned or delayed. If an Indemnifying Party has failed to assume the defense of the Third-Party Claim, it shall not be a defense to any obligation to pay any amount in respect of such Third-Party Claim that the Indemnifying Party was not consulted in the defense thereof, that such Indemnifying Party's views or opinions as to the conduct of such defense were not accepted or adopted, that such Indemnifying Party does not approve of the quality or manner of the defense thereof or that such Third-Party Claim was incurred by reason of a settlement rather than by a judgment or other determination of liability.

(f) In the case of a Third-Party Claim, no Indemnifying Party shall consent to entry of any judgment or enter into any settlement of the Third-Party Claim without the consent (not to be unreasonably withheld, conditioned or delayed) of the Indemnitee if the effect thereof is to permit any injunction, declaratory judgment, other order or other non-monetary relief to be entered, directly or indirectly, against any Indemnitee, does not release the Indemnitee from all liabilities and obligations with respect to such Third-Party Claim or includes an admission of guilt or liability on behalf of the Indemnitee.

(g) Except as otherwise provided in Section 11.04, the Merger Agreement or any Ancillary Agreement, absent fraud or intentional misconduct by an Indemnifying Party, the indemnification provisions of this Article V shall be the sole and exclusive remedy of an Indemnitee for any monetary or compensatory damages or Losses resulting from any breach of this Agreement (including with respect to monetary or compensatory damages or Losses arising out of or relating to, as the case may be, any Transmission Liability or Excluded Liability), and each Indemnitee expressly waives and relinquishes any and all rights, claims or remedies such Person may have with respect to the foregoing other than under this Article V against any Indemnifying Party.

Section 5.08 Indemnification Obligations Net of Proceeds Received from Third Parties.

(a) Any Liability subject to indemnification or contribution pursuant to this Article V will (i) be net of any proceeds received by the Indemnitee from any third party for indemnification for such Liability that actually reduce the amount of the Liability (“Third-Party Proceeds”) and (ii) be determined on a Net-Tax Basis. Accordingly, the amount which any Indemnifying Party is required to pay pursuant to this Article V to any Indemnitee pursuant to this Article V will be reduced by Third-Party Proceeds theretofore actually recovered by or on behalf of the Indemnitee in respect of the related Liability. If an Indemnitee receives a payment required by this Agreement from an Indemnifying Party in respect of any Liability (an “Indemnity Payment”) and subsequently receives Third-Party Proceeds, then the Indemnitee will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Third-Party Proceeds had been received, realized or recovered before the Indemnity Payment was made.

(b) The Indemnitee shall use commercially reasonable efforts to seek to collect or recover any Third-Party Proceeds to which the Indemnitee is entitled in connection with any Liability for which the Indemnitee seeks contribution or indemnification pursuant to this Article V; provided, that the Indemnitee’s inability to collect or recover any such Third-Party Proceeds shall not limit the Indemnifying Party’s obligations hereunder.

(c) The term “Net-Tax Basis” means that, in determining the amount of the payment necessary to indemnify any Indemnitee against, or reimburse any Indemnitee for, any Liability, such amount will be increased to take account of all or any portion of the indemnification payment (including any increase of the indemnification payment attributable hereto) being properly includable in the income of the Indemnitee; provided that any such increase shall be net of any Tax benefit attributable to the capitalization or deduction of such Liability of the Indemnitee. For purposes of determining Net-Tax Basis, any inclusion in income or Tax benefit shall be determined on a hypothetical basis (i) using the highest federal marginal corporate tax rate in the applicable year of inclusion plus three percent (3%), (ii) assuming that the Indemnitee will be liable for Taxes at such rate and has no net operating losses, capital losses or tax credits, (iii) assuming that any Tax benefit is used at the earliest date allowable by applicable Law and (iv) for purposes of calculating the Tax benefit attributable to amounts that will be depreciated or amortized in the future, utilizing a discount rate equal to six percent (6%).

Section 5.09 Certain Actions; Substitution; Subrogation.

(a) Certain Actions. Notwithstanding anything to the contrary set forth in Section 5.07, and subject to the provisions of Article VI with respect to Taxes, which shall remain exclusive as to the subject matter thereof, Entergy and TransCo shall jointly control the defense of any and all Actions pending at the Separation Time which relate to or arise out of the Transmission Business, the Transmission Assets or the Transmission Liabilities and as to which a member of the Entergy Group is also named as a target or defendant thereunder, including those Actions listed on Schedule 5.09(a) (but excluding any such Actions that solely relate to or solely arise in connection with the Transmission Business, the Transmission Assets or the Transmission Liabilities, the defense of which shall be controlled solely by TransCo); provided, however, that (i) Entergy and TransCo shall defend such Actions in good faith, (ii) Entergy and TransCo shall reasonably consult with the other on a regular basis with respect to strategy and developments with respect to any such Action, (iii) each of Entergy and TransCo shall have the right to participate in and employ separate counsel in connection with the defense, compromise or settlement of such Action at its own cost and expense and (iv) each of Entergy and TransCo must consent, such consent not to be unreasonably withheld, conditioned or delayed, to settle or compromise or consent to the entry of judgment with respect to such Action if such settlement, consent or judgment would require either Party (or any of its Affiliates) to admit any guilt or fault or incur any Liability, does not release such Party (or any of its Affiliates) completely in connection with such Action, or imposes injunctive or other equitable relief against such Party (or any of its Affiliates). After any such compromise, settlement, consent to entry of judgment or entry of judgment, Entergy and TransCo shall agree upon a reasonable allocation to TransCo of, and TransCo shall be responsible for or receive, as the case may be, TransCo's proportionate share of any such compromise, settlement, consent or judgment attributable to the TransCo Business, the Transmission Assets or the Transmission Liabilities, including its proportionate share of the reasonable costs and expenses associated with defending the same.

(b) Substitution. In the event of an Action that involves solely matters that are indemnifiable and in which the Indemnifying Party is not a named defendant, if either the Indemnitee or the Indemnifying Party so requests, the Parties shall use commercially reasonable efforts to substitute the Indemnifying Party for the named but not liable defendant to be removed from such Action and such defendants shall not be required to make any payments or contribution in connection therewith (regardless if such removal is successful or not). If such substitution or addition cannot be achieved for any reason or is not requested, the rights and obligations of the Parties regarding indemnification and the management of the defense of claims as set forth in this Article V shall not be affected.

(c) Subrogation. In the event of payment by or on behalf of any Indemnifying Party to or on behalf of any Indemnitee in connection with any Third-Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee, in whole or in part based upon and in proportion to the amount of the Indemnitee's Liability that the Indemnifying Party has paid, as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third-Party Claim against any claimant or plaintiff asserting such Third-Party Claim or against any other Person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at

the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

Section 5.10 Payments. Indemnification required by this Article V shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or a Loss or Liability incurred.

Section 5.11 Non-Applicability to Taxes and Employee Matters. Except as otherwise specifically provided herein, Tax matters shall be exclusively governed by Article VI, employees or employee matters shall be governed by the Employee Matters Agreement and, in the event of any inconsistency between the Employee Matters Agreement and this Agreement, the Employee Matters Agreement shall control. The procedures relating to indemnification for Tax matters shall be governed by Article VI.

ARTICLE VI

TAX MATTERS

Section 6.01 ITC and TransCo Covenants. During the Restriction Period, neither ITC nor TransCo shall, nor shall either of them authorize or permit any member of the ITC Group to, do any of the following (each, a “Prohibited Act”), except to the extent provided for in this Agreement, the Merger Agreement, or the Ancillary Agreements:

- (a) enter into or be a party to any Proposed Acquisition Transaction (including approving any Proposed Acquisition Transaction, whether for purposes of Section 203 of the General Corporation Law of the State of Delaware or any similar corporate statute, any “fair price” or other provision of ITC’s or TransCo’s charter or bylaws or otherwise);
- (b) cause or permit any merger or consolidation of TransCo with or into any other Person;
- (c) cause or permit the liquidation, dissolution or partial liquidation (within the meaning of such terms as defined in Section 346 and Section 302, respectively, of the Code) of ITC or TransCo;
- (d) in a single transaction or series of transactions, sell or transfer more than 60% of the fair market value of the Transmission Assets that were transferred to TransCo pursuant to this Agreement;
- (e) redeem, repurchase, or otherwise reacquire (directly or through any member of the ITC Group) any ITC Capital Stock or TransCo Capital Stock, except in the ordinary course in connection with the exercise or vesting of equity-based awards granted under any employee or director benefit plan or other employee or director benefit plan arrangement of ITC or TransCo or members of the ITC Group (including in order to pay taxes or satisfy withholding obligations in respect of such taxes in connection with such exercises or vesting) or pursuant to the ITC dividend reinvestment plan;

(f) issue any ITC Capital Stock or TransCo Capital Stock or any interest in any member of the ITC Group treated as equity in such member for United States federal income tax purposes (including, without limitation, options, rights, warrants, or securities including derivatives with respect to any such ITC Capital Stock or TransCo Capital Stock or equity interest in any member of the ITC Group); provided, however, that ITC, TransCo and any member of the ITC Group may issue (i) options provided to employees, consultants, or directors, under an ITC or TransCo stock option plan, equity incentive plan, director stock option plan or similar plan (A) in connection with the performance of services for ITC, TransCo or a member of the ITC Group, (B) which are nontransferable within the meaning of Treasury Regulation Section 1.83-3(d), and (C) which do not have a readily ascertainable fair market value as defined in Treasury Regulation Section 1.83-7(b); (ii) shares to any person in connection with such person's performance of services as an employee, director or independent contractor for ITC, TransCo, or a member of the ITC Group to the extent Section 83 or Section 421 of the Code applies to the issuance of such shares (including shares issued pursuant to the exercise of options, whether such options were issued prior to, in connection with, or after the Separation); (iii) without duplication, (A) any TransCo Employee Shares (including Disqualified Shares) or (B) shares attributable to stock options or restricted shares included in the calculation of the number of shares of ITC Common Stock on a Fully Diluted Basis pursuant to Section 1.02 of the Merger Agreement; (iv) shares acquired by a retirement plan of Entergy or TransCo (or a retirement plan of any other person that is treated as the same employer as Entergy or TransCo under Section 414(b), (c), (m), or (o) of the Code) that qualifies under Section 401(a) or 403(a) of the Code, provided that the acquisition of such shares is not disqualified pursuant to Treasury Regulations Section 1.355-7(d)(9)(ii); and (v) shares issued pursuant to a pro rata stock split with respect to all shareholders of ITC Common Stock (in which there is no payment of cash in lieu of fractional shares); provided, further, however, that ITC, TransCo and members of the ITC Group may not issue any such options or shares described in clauses (i) and (ii) above to any acquirer if such acquirer or a coordinating group (within the meaning of Treasury Regulation Section 1.355-7(h)(4)) of which such acquirer is a member is a controlling shareholder (within the meaning of Treasury Regulation Section 1.355-7(h)(3)) or a ten percent (10%) shareholder (within the meaning of Treasury Regulation Section 1.355-7(h)(14)) of the acquired corporation (ITC or TransCo) immediately after the acquisition.

(g) amend its certificate of incorporation (or other organizational documents), or take any recapitalization action, whether through a stockholder vote or otherwise, that would, in each case, affect the relative voting rights of the separate classes of ITC Capital Stock or TransCo Capital Stock (including, without limitation, through the conversion of one class of ITC Capital Stock or TransCo Capital Stock into another class of TransCo Capital Stock);

(h) modify, repurchase, defease, satisfy or discharge the TransCo Securities, other than in accordance with their terms, if such action could result in the TransCo Securities failing to qualify as "securities" as that term is used in Section 361 of the Code;

(i) take any action that could, or fail or omit to take any action the failure or omission of which could, result in TransCo ceasing to be actively engaged in the active conduct of a trade or business for purposes of Section 355(b) of the Code;

(j) (A) take any action, or permit any other member of the ITC Group to take any action, where the taking of such action could reasonably be expected to have, in the aggregate and taking into account the transactions contemplated by the Merger Agreement, the effect of causing or permitting one or more persons (including persons acting in concert) to acquire a fifty percent (50%) or greater interest in TransCo for purposes of Section 355(d) or (e) of the Code, or (B) fail or omit to take any action, or permit any other member of the ITC Group or TransCo Group to fail or omit to take any action, where ITC or any other member of the ITC Group, or any of their respective officers or directors, have actual knowledge that the failure or omission to take such action would reasonably be expected to have, in the aggregate and taking into account the transactions contemplated by the Merger Agreement, the effect of causing or permitting one or more persons (including persons acting in concert) to acquire a fifty percent (50%) or greater interest in TransCo for purposes of Section 355(d) or (e) of the Code; or

(k) (A) take any action, or permit any other member of the ITC Group to take any such action, where the taking of such action could reasonably be expected to cause the Distribution, Entergy Contribution or the Internal Restructuring to fail to qualify for clause (i), (ii), or (iii) of the definition of Intended Tax-Free Treatment, or (B) fail or omit to take any action, or permit any other member of the ITC Group or TransCo Group to fail or omit to take any action, where ITC or any other member of the ITC Group, or any of their respective officers or directors, have actual knowledge that the failure or omission to take such action would reasonably be expected to cause the Distribution, Entergy Contribution or the Internal Restructuring to fail to qualify for clause (i), (ii), or (iii) of the definition of Intended Tax-Free Treatment.

Notwithstanding anything to the contrary in this Agreement, ITC, TransCo and any member of the ITC Group may engage in any of the foregoing Prohibited Acts if prior to taking any such Prohibited Act, ITC has obtained, at its sole cost, a tax opinion by a Tax Expert which opinion, in form as well as substance, is reasonably satisfactory to Entergy and such opinion states that ITC, TransCo or the applicable member of the ITC Group engaging in such Prohibited Act will not alter the conclusion in clauses (i), (ii) and (iii), if applicable, of the definition of Intended Tax-Free Treatment. An opinion will be “reasonably satisfactory” only if it is a “will” opinion constituting a “covered opinion” within the meaning of Circular 230; provided, however, for the avoidance of doubt, that any such “covered opinion” may be a “limited scope opinion” within the meaning of Circular 230, addressing only the impact of engaging in such Prohibited Act on the conclusion in clauses (i), (ii) and (iii), if applicable, of the definition of Intended Tax-Free Treatment. For the further avoidance of doubt, any Prohibited Act with respect to which ITC obtains an opinion pursuant to the preceding sentence shall continue to be a Prohibited Act for purposes of Section 6.03(a). Neither ITC nor TransCo shall, nor shall either of them cause any member of the ITC Group to, take any action that could cause any of the material facts or representations made in the Tax Documents or in this Agreement to be false, inaccurate or incomplete in any material respect; provided, however, that Entergy shall not make any representation in the Tax Documents that will materially affect either TransCo or ITC on or after the date of the Distribution without the prior written consent of ITC.

Section 6.02 Tax Indemnification by Entergy.

(a) From and after the Closing Date, Entergy shall indemnify, defend (or, where applicable, pay the defense costs for) and hold harmless the TransCo Indemnitees from and against, and shall reimburse such TransCo Indemnitees with respect to, any and all Losses that result from, relate to or arise out of, whether prior to or following the Separation Time, (i) any Tax Liability (for which there is a Final Determination) of Entergy or any member of the Entergy Group, including any Tax Liability (for which there is a Final Determination) under Treasury Regulations Section 1.1502-6 (or any similar principle of foreign, state or local law), as a transferee, successor, by contract, or otherwise; (ii) any Tax Liability (for which there is a Final Determination) of TransCo or any of its Subsidiaries for any Pre-Distribution Taxable Year; (iii) any Tax Liability for which Entergy is liable under Section 3.06(b)(i) or Section 3.06(b)(iv) (for which there is a Final Determination), except in the case of each of (i), (ii), and (iii) for any Tax Liability arising from the breach of Section 6.01; and (iv) any Tax Liability resulting from a breach of the covenants in Section 8.09 or Section 1.01(b) (each such Tax Liability, a “TransCo Tax Loss”). Entergy’s obligation hereunder will be determined on a Net-Tax Basis.

(b) Each TransCo Indemnitee may seek indemnification for any TransCo Tax Loss or potential TransCo Tax Loss suffered by such TransCo Indemnitee by giving notice to Entergy, specifying (i) the basis for such allegation and a description of the TransCo Tax Loss and (ii) if known, the aggregate amount of TransCo Tax Losses for which a claim is being made under this Section 6.02, including a detailed computation of such TransCo Tax Loss or, to the extent that the aggregate amount of such TransCo Tax Losses are not known at the time such claim is made, a detailed computation setting forth an estimate, prepared in good faith, of the aggregate potential amount of such TransCo Tax Losses. Notice to Entergy of the existence of a claim shall be given by the applicable TransCo Indemnitee as soon as practicable after such TransCo Indemnitee receives written notice of a claim; provided, that any failure to provide such prompt notice of the existence of a claim to Entergy shall not affect such TransCo Indemnitee’s right to seek indemnification pursuant to this Section 6.02, except and only to the extent that such failure results in a lack of actual notice to Entergy and Entergy has been materially prejudiced as a result of such delay.

(c) The indemnification obligations and the remedies provided in this Section 6.02 shall be each TransCo Indemnitee’s sole remedy against Entergy for TransCo Tax Losses.

Section 6.03 Tax Indemnification by TransCo.

(a) From and after the Closing Date, ITC shall indemnify, defend (or, where applicable, pay the defense costs for) and hold harmless the Entergy Indemnitees from and against, and shall reimburse such Entergy Indemnitees with respect to, any and all Losses that result from, relate to or arise out of (i) Tax Liability (for which there is a Final Determination) for which TransCo is liable under Section 3.06(a)(i) or Section 3.06(a)(v) and (ii) any Tax Liability (for which there is a Final Determination) of Entergy, any member of the Entergy Group, ITC, TransCo or any member of the ITC Group arising from ITC, TransCo or any member of the ITC Group engaging in any Prohibited Act that results in the failure of the

Transactions to qualify for the Intended Tax-Free Treatment (each such Tax liability, an “Entergy Tax Loss”). ITC’s obligation hereunder will be determined on a Net-Tax Basis.

(b) Each Entergy Indemnitee may seek indemnification for any Entergy Tax Loss or potential Entergy Tax Loss suffered by such Entergy Indemnitee by giving notice to ITC, specifying (i) the basis for the claim that is alleged to give rise to indemnification, if applicable, (ii) the basis for such allegation and a description of the Entergy Tax Loss and (iii) if known, the aggregate amount of Entergy Tax Losses for which a claim is being made under this Section 6.03, including a detailed computation of such Entergy Tax Loss or, to the extent that the aggregate amount of such Entergy Tax Losses are not known at the time such claim is made, a detailed computation setting forth an estimate, prepared in good faith, of the aggregate potential amount of such Entergy Tax Losses. Notice to ITC of the existence of a claim shall be given by the applicable Entergy Indemnitee as soon as practicable after such Entergy Indemnitee receives written notice of a claim; provided, that any failure to provide such prompt notice of the existence of a claim to ITC shall not affect such Entergy Indemnitee’s right to seek indemnification pursuant to this Section 6.03, except and only to the extent that such failure results in a lack of actual notice to ITC and ITC has been materially prejudiced as a result of such delay.

(c) The indemnification obligations and the remedies provided in this Section 6.03 shall be each Entergy Indemnitee’s sole remedy against TransCo for Entergy Tax Losses.

Section 6.04 Tax Audits.

(a) In the event ITC or TransCo receives written notice of any Tax Controversy relating to the Transactions and with respect to a Tax for which ITC or TransCo believes Entergy is or may be responsible pursuant to Section 6.02, ITC or TransCo shall notify Entergy in writing within thirty (30) Business Days after the receipt by ITC or TransCo of such notice; provided, that any failure to provide such prompt notice of the existence of a Tax Controversy to Entergy shall not result in any liability of ITC or TransCo hereunder, except to the extent that Entergy is materially prejudiced thereby.

(b) In the event Entergy receives written notice of a Tax Controversy relating to the Transactions and with respect to a Tax for which Entergy believes TransCo is or may be responsible pursuant to Section 6.03, Entergy shall notify TransCo in writing within thirty (30) Business Days after the receipt by Entergy of such notice; provided, that any failure to provide such prompt notice of the existence of a Tax Controversy to TransCo shall not result in any liability of Entergy hereunder, except to the extent that TransCo is materially prejudiced thereby.

(c) Entergy and ITC shall have the right to jointly contest any Tax Controversy (and neither party shall settle or compromise any such Tax Controversy without the prior written consent of the other) relating to any Taxes which could give rise to an indemnity obligation of ITC or TransCo under Section 6.03(a)(ii); provided that if Entergy agrees in writing that ITC would have no liability for any Losses arising out of a Final Determination for Taxes with respect to such Tax Controversy pursuant to Section 6.03(a)(ii),

Entergy shall be entitled to sole control of such Tax Controversy and may settle or compromise such Tax Controversy in its sole discretion. For the avoidance of doubt, ITC's involvement and participation in any such Tax Controversy shall at all times be limited to the legal and factual issues that, if resolved adversely to Entergy or any member of the Entergy Group, could give rise to the indemnity obligation of ITC pursuant to Section 6.03(a)(ii).

Section 6.05 Payments. Indemnification required by this Article VI shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or a Loss or Liability incurred.

Section 6.06 Survival. The indemnification obligations in this Article VI shall survive the Closing sixty (60) days after the expiration of all applicable statutes of limitations (including all periods of extension, whether automatic or permissive).

ARTICLE VII

CONFIDENTIALITY; ACCESS TO INFORMATION

Section 7.01 Confidentiality.

(a) The Parties acknowledge that in connection with the Transactions, the Parties have disclosed to each other Information, including Confidential Information. The Parties agree that, after the Separation Time, Information that constitutes a Transmission Asset shall be Information of TransCo for purposes of this Section 7.01 and Entergy shall be deemed a receiving party of such Information for purposes of this Section 7.01.

(b) The Parties shall hold, and shall cause each of their respective Affiliates to hold, and each of the foregoing shall cause their respective directors, officers, employees, agents, consultants and advisors to hold, in strict confidence, and not to disclose or release or use, for any purpose other than as expressly permitted pursuant to this Agreement, the Merger Agreement or the Ancillary Agreements, without the prior written consent of the other Party, any and all Confidential Information concerning the other Party or such Party's Group; provided, that the Parties may disclose, or may permit disclosure of, Confidential Information (i) to their respective auditors, attorneys, financial advisors, bankers and other appropriate consultants and advisors who have a need to know such information for auditing and other non-commercial purposes and are informed of their obligation to hold such information confidential to the same extent as is applicable to the Parties and in respect of whose failure to comply with such obligations, the applicable Party will be responsible, (ii) if the Parties or any of their respective Affiliates are required or compelled to disclose any such Confidential Information by judicial or administrative process or by other requirements of Law or stock exchange rule, (iii) as required in connection with any legal or other proceeding by one Party against any other Party or, (iv) as necessary in order to permit a Party to prepare and disclose its financial statements, or other required disclosures required by Law or such applicable stock exchange. Notwithstanding the foregoing, in the event that any demand or request for disclosure of Confidential Information is made pursuant to clause (ii) above, each Party, as applicable, shall promptly notify the other of the existence of such request or demand and, to the extent commercially practicable, shall provide the other Party thirty (30) calendar days (or such lesser

period as is commercially practicable) to seek an appropriate protective order or other remedy, which such Parties will cooperate in obtaining. In the event that such appropriate protective order or other remedy is not obtained, the Party whose Confidential Information is required to be disclosed shall or shall cause the other applicable Party or Parties to furnish, or cause to be furnished, only that portion of the Confidential Information that is legally required to be disclosed and shall take commercially reasonable steps to ensure that confidential treatment is accorded such information.

(c) Each Party acknowledges that it and its Affiliates may have in their possession confidential or proprietary information of third parties that was received under confidentiality or non-disclosure agreements or agreements containing confidentiality or non-disclosure provisions that the other Party or its Affiliates entered into with a third party prior to the Effective Time. Such Party will hold, and will cause its Affiliates and their respective Representatives to hold, in strict confidence the confidential and proprietary information of third parties to which they or any of its respective Affiliates has had access, in accordance with the terms of such agreements entered into prior to the Separation Time or, if more restrictive, the terms set forth herein.

(d) Upon the written request of a Party, the other Party shall take reasonable steps to promptly (i) deliver to such requesting Party all original copies of Confidential Information (whether written or electronic) concerning such requesting Party and/or its Subsidiaries that is in the possession of the non-requesting Party and that is not material to and is neither required by nor relates to the business of the non-requesting Party and (ii) if specifically requested by such requesting Party, destroy any copies of such Confidential Information (including any extracts therefrom), unless such delivery or destruction would violate any Law; provided, that the non-requesting Party shall not be obligated to destroy Confidential Information that is required by or relates to the business of such Party. Upon the written request of such requesting Party, the other Party shall cause one of its duly authorized officers to certify in writing to such requesting Party that the requirements of the preceding sentence have been satisfied in full.

(e) For purposes of this Section 7.01, ITC shall not be deemed a Party. The provisions of this Section 7.01 are in furtherance of, and do not limit the obligations of the parties to the Merger Agreement pursuant to Section 5.04 of the Merger Agreement; provided, that the provision of Information of ITC or any Person who is an Affiliate of ITC immediately prior to the Separation Time shall be governed exclusively by Section 5.04 of the Merger Agreement.

Section 7.02 Access to Personnel and Property. From and after the Separation Time until the sixth anniversary of the Separation Time, each of Entergy and TransCo shall afford to the other, at such requesting Party's expense on a time and materials basis, and its Representatives, reasonable access during normal business hours, subject to the restrictions for privileged or Confidential Information set forth in this Agreement and to the requirements of any applicable state and/or federal regulation such as a code of conduct or standard of conduct (provided, that the Parties will arrange for appropriate substitute access of disclosure to the extent necessary to comply with any such regulation), to the personnel, properties, and, in connection with access to such personnel and properties, Information of such Party and its

Subsidiaries insofar as such access is reasonably required by the other Party, upon the reasonable prior written request by such Party for access to specific and identified personnel, properties and Information, and only for the duration such access is reasonably requested by the other Party, and (i) relates to such other Party or, in the case of requests from Entergy, the Transmission Assets prior to the Separation Time, and in the case of requests from TransCo, the Transmission Business, prior to the Separation Time or (b) is reasonably required by a Party to perform its obligations under any Ancillary Agreement to which such Party or any of its Affiliates is a party; provided, however, that the Party providing such access may require that such Representatives execute a confidential non-disclosure agreement agreeing to be bound by the provisions of this Article VII, unless such individual is already subject to a non-disclosure agreement containing at least substantially the same terms and conditions as this Article VII with respect to Confidential Information; and provided, further, that nothing in this Section 7.02 shall be deemed to grant TransCo or any TransCo Sub any license, easement, servitude or similar right with respect to any real property that is an Excluded Asset.

Section 7.03 Witness Services. For a period of six (6) years from and after the Separation Time (or for any pending matter arising prior to the expiration of such period), each of Entergy, TransCo and ITC shall use its commercially reasonable efforts to make available to the other, upon reasonable prior written request, its and its Subsidiaries' directors, officers, employees and agents (taking into account the work schedules and other commitments of such Persons) as witnesses to the extent that (a) such Persons may reasonably be required to testify in connection with the prosecution or defense of any Action for which the requesting Party may have Liability under this Agreement (except for claims, demands or Actions between members of each Group) and (b) there is no conflict in the Action between the requesting Party and the other Party except for the time and effort required in connection with the services of the officers, directors and employees and agents of the other Party. The out-of-pocket costs and expenses incurred in the provision of such witnesses shall be paid by the Party requesting the availability of such persons.

Section 7.04 Privileged Matters.

(a) Pre-Transfer Services. The Parties recognize that legal and other professional services that have been and will be provided prior to the Separation Time have been and will be rendered for the collective benefit of Entergy and its Affiliates and TransCo and its Affiliates, and that each of Entergy and its Affiliates and TransCo and its Affiliates should be deemed to be the client with respect to such pre-transfer services for the purposes of asserting all privileges that may be asserted under applicable Law.

(b) Post-Transfer Services. The Parties recognize that legal and other professional services will be provided following the Separation Time that will be rendered solely for the benefit of Entergy or TransCo and their respective Affiliates, as the case may be. With respect to such post-transfer services, the Parties agrees as follows:

(i) Entergy shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information that relates solely to the businesses conducted by Entergy other than the Transmission Business, whether or not the privileged information is in the possession of or under the control of Entergy or

TransCo. Entergy shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information that relates solely to the subject matter of any claims constituting Excluded Liabilities, now pending or which may be asserted in the future, in any lawsuits or other proceedings initiated against or by Entergy, whether or not the privileged information is in the possession of or under the control of Entergy or TransCo; and

(ii) TransCo shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information that relates solely to the Transmission Business, whether or not the privileged information is in the possession of or under the control of Entergy or TransCo. TransCo shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information that relates solely to the subject matter of any claims constituting Transmission Liabilities, now pending or which may be asserted in the future, in any lawsuits or other proceedings initiated against or by TransCo, whether or not the privileged information is in the possession of or under the control of Entergy or TransCo.

(c) The Parties agree that they shall have a shared privilege, with equal right to assert or waive, subject to the restrictions in this Section 7.04, with respect to all privileges not allocated pursuant to the terms of Section 7.04(b). All privileges relating to any claims, proceedings, litigation, disputes or other matters that involve both Entergy and TransCo in respect of which both Parties retain any responsibility or Liability under this Agreement, shall be subject to a shared privilege among them.

(d) No Party may waive any privilege that could be asserted under any applicable Law, and in which any other Party has a shared privilege, without the consent of the other Party, which shall not be unreasonably withheld, conditioned or delayed or as provided in subsections (e) or (f) below. Consent shall be in writing, or shall be deemed to be granted unless written objection is made within twenty (20) calendar days after notice upon the other Party requesting such consent.

(e) In the event of any litigation or dispute between or among any of the Parties, or any members of their respective Groups, either such Party may waive a privilege in which the other Party or member of such Group has a shared privilege, without obtaining the consent of the other Party; provided, that such waiver of a shared privilege shall be effective only as to the use of information with respect to the litigation or dispute between the relevant Parties and/or the applicable members of their respective Groups, and shall not operate as a waiver of the shared privilege with respect to third parties.

(f) If a dispute arises between or among the Parties or their respective Affiliates regarding whether a privilege should be waived to protect or advance the interest of any Party, each Party agrees that it shall negotiate in good faith, shall endeavor to minimize any prejudice to the rights of the other Parties and shall not unreasonably withhold consent to any request for waiver by another Party. Each Party specifically agrees that it will not withhold consent to waiver for any purpose except to protect its own legitimate interests.

(g) Upon receipt by any Party or by any Affiliate thereof of any subpoena, discovery or other request which arguably calls for the production or disclosure of information which such Party knows is subject to a shared privilege or as to which another Party has the sole right hereunder to assert a privilege, or if any Party obtains knowledge that any of its or any of its Affiliates' current or former directors, officers, agents or employees have received any subpoena, discovery or other requests which arguably call for the production or disclosure of such privileged information, such Party shall promptly notify the other Party or Parties of the existence of the request and shall provide the other Party or Parties a reasonable opportunity to review the information and to assert any rights it or they may have under this Section 7.04 or otherwise to prevent the production or disclosure of such privileged information.

(h) The transfer of all Information pursuant to this Agreement is made in reliance on the agreement of Entergy and TransCo as set forth in Section 7.01 and this Section 7.04, to maintain the confidentiality of privileged information and to assert and maintain all applicable privileges. The access to information being granted pursuant to Section 7.02 hereof, the agreement to provide witnesses and individuals pursuant to Section 7.03 hereof, the furnishing of notices and documents and other cooperative efforts contemplated by Section 5.09(a) and this Section 7.04 hereof, and the transfer of privileged information between and among the Parties and their respective Subsidiaries pursuant to this Agreement shall not be deemed a waiver of any privilege that has been or may be asserted under this Agreement, the Merger Agreement or otherwise.

ARTICLE VIII

ADDITIONAL AGREEMENTS

Section 8.01 Further Assurances. Subject to the limitations or other provisions of this Agreement (including Article II), the Merger Agreement and any Ancillary Agreement, (i) each of the Parties shall use reasonable best efforts (subject to, and in accordance with applicable Law) to take promptly, or cause to be taken promptly, all actions, and to do promptly, or cause to be done promptly, and to assist and cooperate with the other Parties in doing, all things reasonably necessary, proper or advisable to consummate and make effective the transactions contemplated by and carry out the intent and purposes of this Agreement and the Ancillary Agreements, including using reasonable best efforts to obtain satisfaction of the conditions precedent to each Party's obligations hereunder or in any Ancillary Agreement within its reasonable control and to perform all covenants and agreements herein or any Ancillary Agreement applicable to such Party and (ii) none of the Parties will, without the prior written consent of the other applicable Party, take any action which would reasonably be expected to prevent or materially impede, interfere with or delay the transactions contemplated by this Agreement, the Merger Agreement or any Ancillary Agreement. Without limiting the generality of the foregoing, where the cooperation of third parties, such as insurers or trustees, would be necessary in order for a Party to completely fulfill its obligations under the Merger Agreement, this Agreement or the Ancillary Agreements, such Party shall use reasonable best efforts to cause such third parties to provide such cooperation.

Section 8.02 Non-Solicitation; No Hiring.

(a) Each of ITC and TransCo agrees that, for a period of twenty-four (24) months from the Closing Date (the “Restricted Period”), it shall not, and shall cause each of its Affiliates not to, without obtaining the prior written consent of Entergy, directly or indirectly, solicit for employment or employ (or refer to another Person for the purpose of such Person soliciting for employment or employing) any employees of any member of the Entergy Group who, at any time between the date of this Agreement and the expiration of the Restricted Period, performs work directly or indirectly related to or in support of the transmission or distribution functions of any member of the Entergy Group; provided, however, that (i) none of ITC, TransCo or any of their Affiliates shall be deemed to have solicited any such person who is an employee of any member of the Entergy Group and responds to any general media advertisement or job posting placed by or on behalf of ITC, TransCo or any of their Affiliates or such person is contacted by an employment search firm engaged by ITC, TransCo or any of their Affiliates that is not specifically directed to solicit persons employed by any member of the Entergy Group and (ii) ITC, TransCo or any of their Affiliates may solicit for employment and employ any such person who has been terminated by a member of the Entergy Group or put on notice by the applicable Entergy Group employer that his or her employment is scheduled to be terminated or has not been employed by a member of the Entergy Group for a period greater than six (6) months.

(b) Entergy agrees that, during the Restricted Period, it shall not, and shall cause its Affiliates not to, without obtaining the prior written consent of TransCo, directly or indirectly, solicit for employment or employ (or refer to another Person for the purpose of such Person soliciting for employment or employing) any former employees of Entergy or its Affiliates who were employees of the TransCo Group as of immediately following the Closing (each a “Former Employee”); provided, however, that (i) neither Entergy nor any of its Affiliates shall be deemed to have solicited any Former Employee who responds to any general media advertisement or job posting placed by or on behalf of Entergy or any of its Affiliates or such person is contacted by an employment search firm engaged by Entergy or any of its Affiliates that is not specifically directed to solicit Former Employees and (ii) Entergy and its Affiliates may solicit and employ any such person who has been terminated by a member of the TransCo Group or notified by the applicable TransCo Group employer that his or her employment is scheduled to be terminated or has not been employed by a member of the TransCo Group for a period greater than six (6) months.

Section 8.03 Transitional Use of Signage and/or Other Materials Incorporating Entergy’s Name or Other Logos.

(a) “Entergy Names and Marks” includes (i) all trademarks that were used in the Transmission Business but are not Transmission Assets, including, but not limited to, the name “Entergy Corporation” (in any style or design) or the name of any other member of the Entergy Group, any trademark derived from, confusingly similar to or including any of the foregoing, (ii) all trademarks registered by Entergy in its name prior to the Separation Date and (iii) the reputation or goodwill of any member of the Entergy Group. TransCo, on behalf of itself and its Affiliates, acknowledges that it will have no ongoing claim or rights in or to the Entergy Names or Marks. Except as set forth herein, TransCo and its Affiliates shall not use or

permit their respective Subsidiaries to use any Entergy Names or Marks in the operation of the Transmission Business, and TransCo and its Affiliates shall, as soon as practicable, and in any event within one (1) year following the Closing Date, remove or cause the removal of all Entergy Names and Marks from all emergency phone number signage and any other public-facing signage or other items utilizing Entergy Names and Marks at each Transmission Substation Facility and other facilities of TransCo and its Affiliates. From the Closing until such removal occurs, Entergy grants TransCo and its Affiliates a non-exclusive license to use the Entergy Names and Marks consistent with this Section 8.03. Except as expressly provided in this Section 8.03, Entergy reserves for itself and its Affiliates all rights in the Entergy Names and Marks, and no other rights therein are granted to TransCo or any of its Affiliates, whether by implication, estoppel or otherwise. All use of the Entergy Names and Marks by TransCo and its Affiliates shall inure to the benefit of Entergy and its Affiliates.

(b) The license granted under this Section 8.03 may be terminated by written notice if TransCo or any of its Affiliates is in material breach of any provision hereof that remains uncured for more than twenty (20) calendar days after written notice thereof from Entergy. Upon such termination of the license granted hereunder for any reason, TransCo shall not use, and shall cause its Affiliates to not use, any of the Entergy Names and Marks.

(c) Notwithstanding anything to the contrary provided in this Section 8.03, at all times after Closing, TransCo may use the name “Entergy Corporation” and other names of a member of the Entergy Group (i) to describe the historical relationship of TransCo and Entergy and as permitted by Law and (ii) on any legal documents, business correspondence and similar items that are not public facing or do not confuse the public as to the separate legal status of the TransCo Group and the Entergy Group. At TransCo’s request, for the duration of the term of the Transition Services Agreement, Entergy shall display on its websites, in the locations previously addressing the Transmission Business, a mutually agreed statement about the transactions contemplated hereby and link to website(s) designated by TransCo.

Section 8.04 Removal of Tangible Assets.

(a) Except as may be otherwise provided in the Ancillary Agreements or otherwise agreed to by the Parties, all tangible Transmission Assets that are located at any facilities of any member of the Entergy Group which facilities are not substations that contain Transmission Substation Facilities shall be moved as promptly as practicable after the Separation Time from such facilities, at Entergy’s expense and in a manner so as not to unreasonably interfere with the operations of any member of the Entergy Group and to not cause damage to such facility, and such member of the Entergy Group shall provide reasonable access to such facility to effectuate the same.

(b) Except as may be otherwise agreed to by the Parties, all tangible Excluded Assets that are located at any of the Transmission Line Facilities or Transmission Substation Facilities shall be moved as promptly as practicable after the Separation Time from such facilities, at Entergy’s expense and in a manner so as not to unreasonably interfere with the operations of any member of the TransCo Group and to not cause damage to such Transmission Line Facility or Transmission Substation Facility, and such member of the

TransCo Group shall provide reasonable access to such Transmission Line Facility or Transmission Substation Facility to effectuate such movement.

Section 8.05 Entergy Guarantees. ITC and TransCo acknowledges that in the course of conduct of the Transmission Business, Entergy and its Affiliates may have entered into various Entergy Guarantees. Section 2.05(e) of the Entergy Disclosure Letter attached to the Merger Agreement lists and describes all material Entergy Guarantees existing as of the date of that Agreement. As of the date of this Agreement, complete and correct copies (including all material amendments, modifications, extensions or renewals with respect thereto) of all material Entergy Guarantees and/or related Contracts have been provided to ITC. Within forty-five (45) days of the date of this Agreement, Entergy shall deliver to ITC a list of all other Entergy Guarantees and/or related Contracts and, thereafter, promptly provide ITC a copy of such other Entergy Guarantees and/or related Contracts. From the date of this Agreement Entergy shall supplement the material Entergy Guarantees set forth on Section 2.05(e) of the Disclosure Letter attached to the Merger Agreement from time to time prior to the Closing Date to include any additional material Entergy Guarantees that are incurred after the date of this Agreement and shall provide a copy of such Entergy Guarantee and/or related Contract to ITC promptly following its effectiveness. ITC agrees that it shall use its commercially reasonable efforts to novate, assign or replace such Entergy Guarantees with an ITC guarantor or an Affiliate of ITC as guarantor, which shall be in effect at the Closing and shall, in each case, release Entergy and its Affiliates from any Liability with respect to such Entergy Guarantees. Following the Closing, if the Parties were unable to novate, assign or replace any such Entergy Guarantees prior to the Closing, ITC will (i) continue to use its commercially reasonable efforts to novate, assign or replace such Entergy Guarantees with a TransCo guarantor or an Affiliate of TransCo as guarantor and (ii) indemnify, defend and hold harmless Entergy and its Affiliates against, and reimburse Entergy and its Affiliates for, any Losses of Entergy and its Affiliates incurred because any such Entergy Guarantee is called upon and Entergy or its Affiliate is required to make any material payment under any such Entergy Guarantee. ITC's commercially reasonable efforts with respect to this Section 8.05 shall not require ITC to take any action that would be reasonably expected to expose it, TransCo or any other member of the TransCo Group to any material incremental expenses or losses of benefits.

Section 8.06 Insurance Matters.

(a) Notwithstanding anything to the contrary herein, from and after the Separation Time, TransCo, the Transmission Assets and the Transmission Business shall be, and shall continue to be, covered under insurance policies of Entergy or its Subsidiaries (as applicable), to the extent insurance coverage exists, until the Effective Time.

(b) Subject to, and other than as set forth in, Sections 8.06(c) through (e) ITC acknowledges that: (i) coverage for TransCo, the Transmission Assets and the Transmission Business for the period after the Effective Time under all of the insurance policies maintained by Entergy prior to the Effective Time will be terminated effective as of the Effective Time and (ii) upon such termination, TransCo, the Transmission Assets and the Transmission Business will cease to be covered under such policies with respect to the period after the Effective Time.

(c) For any claim asserted against any TransCo or any TransCo Sub after the Effective Time arising out of an occurrence taking place prior to the Effective Time (“Post-Closing Claims”), TransCo and each TransCo Sub may access coverage under the occurrence-based insurance policies of Entergy or its Subsidiaries (as applicable) issued or in place prior to the Effective Time under which TransCo or any TransCo Sub is insured (the “Pre-Closing Occurrence Based Policies”), to the extent such insurance coverage exists. After the Effective Time, TransCo or any TransCo Sub may seek coverage for any Post-Closing Claim under any applicable Pre-Closing Occurrence Based Policies, to the extent such insurance coverage exists, and Entergy and its Subsidiaries (as applicable) shall cooperate with TransCo and the TransCo Subs in connection with the tendering of such claims; provided, however, that (i) TransCo or the TransCo Subs shall promptly notify Entergy of all such Post-Closing Claims and (ii) ITC shall be responsible for the satisfaction or payment of any applicable retention, deductible or retrospective premium with respect to any Post-Closing Claim. In the event that a Post-Closing Claim relates to the same occurrence for which Entergy or its Subsidiaries is seeking coverage under Pre-Closing Occurrence Based Policies, and the limits under an applicable Pre-Closing Occurrence Based Policy are not sufficient to fund all covered claims of TransCo or any TransCo Sub (as applicable) and Entergy or its Subsidiaries (as applicable), amounts due under such a Pre-Closing Occurrence Based Policy shall be paid to the respective entities in proportion to the amounts which otherwise would be due were the limits of liability infinite.

(d) Entergy shall maintain in effect for not less than six (6) years after the Effective Time, by prepaid run-off, “tail coverage” endorsement or otherwise (including, by continuing to provide coverage under Entergy existing policies), the coverage provided by directors’ and officers’ liability and fiduciary liability insurance under which TransCo and the TransCo Subs are insured as of immediately prior to the Effective Time; provided, that Entergy may substitute prepaid policies of at least the same coverage containing terms and conditions that are no less advantageous to TransCo or any TransCo Sub so long as such substitution does not result in gaps or lapses in coverage with respect to matters occurring prior to the Effective Time.

Section 8.07 Casualty and Condemnation. If, between the date hereof and the Separation Time, there shall occur any physical damage to or destruction of, or theft of similar loss of, any of the tangible Assets described in Section 3.05(a) (a “Casualty Loss”) or any condemnation or taking by eminent domain by a Governmental Authority of any of the Assets described in Section 3.05(a) (a “Condemnation Event”), then (i) if such Casualty Loss or Condemnation Event is material to the Transmission Business, Entergy shall promptly give notice to ITC thereof and of Entergy’s estimate of the amount of casualty insurance or condemnation proceeds, if any, payable to Entergy or its Affiliates in respect thereof, (ii) Entergy shall use its reasonable best efforts to (A) replace or repair (as applicable) the asset or property related to such Casualty Loss, and (B) replace the asset or property that has been condemned or taken as necessary consistent with prudent operation of the Transmission Business, (iii) if the Separation is consummated notwithstanding such Casualty Loss or Condemnation Event, and if such damaged, destroyed, stolen, lost or condemned or taken Assets have not been repaired or replaced as of the Separation Time, then, without limiting ITC’s or any member of the TransCo Group’s other rights hereunder, promptly after any casualty insurance proceeds, business interruption insurance proceeds or condemnation proceeds payable to Entergy or any of its Affiliates with respect to such Casualty Loss or Condemnation Event have been collected,

Entergy shall, or shall cause its Affiliate to, pay to TransCo (x) the aggregate amount, if any, of such casualty insurance proceeds described above in connection with such Casualty Loss, (y) the aggregate amount, if any, of such business interruption insurance proceeds described above that were paid in connection with such Casualty Loss, and (z) the aggregate amount, if any, of such condemnation proceeds described above in connection with such Condemnation Event. Entergy shall, and shall cause its Affiliates to, use all reasonable best efforts to collect amounts due (if any) under insurance policies or programs in respect of any Casualty Loss or as a result of a Condemnation Event. The amount of any insurance or condemnation proceeds paid to Entergy shall be included as a Transmission Asset and not be distributable cash available to Entergy or any other member of the Entergy Group.

Section 8.08 Ancillary Agreements. Each of ITC and Entergy will negotiate in good faith, within sixty (60) calendar days after the date hereof, the Generation Interconnection Agreements, the Transition Services Agreements, the Software/IP License Agreement, the Telecom Agreement, the Joint Use / Pole Attachment Agreement and the Facilities Charge Agreement, in each case in the manner contemplated by Section 4.01(a). In the event ITC and Entergy are not able to reach an agreement as to the form of any of the foregoing agreement, each of ITC and Entergy will continue to negotiate in good faith.

Section 8.09 Tax-Free Reorganization Treatment; the Ruling.

(a) Entergy and each member of the Entergy Group shall not, in each case, whether before or after the Effective Time, (A) take or cause to be taken any action that (i) could reasonably be expected to cause the Transactions to fail to qualify for the Intended Tax-Free Treatment; (ii) could reasonably be expected to result in any failure to obtain the Ruling; or (iii) could cause any of the material facts or representations made in the Tax Documents or this Agreement to be false, inaccurate or incomplete in any material respect or (B) fail or omit to take any action, or permit any other member of the Entergy Group to fail or omit to take any action, where Entergy or any other member of the Entergy Group, or any of their respective officers or directors, have actual knowledge that the failure or omission to take such action (i) could reasonably be expected to cause the Transactions to fail to qualify for the Intended Tax-Free Treatment; (ii) could reasonably be expected to result in any failure to obtain the Ruling; or (iii) could cause any of the material facts or representations made in the Tax Documents or this Agreement to be false, inaccurate or incomplete in any material respect. For the avoidance of doubt, this Section 8.09 (as it relates to Entergy and each member of the Entergy Group) and Sections 6.01(j) and (k) (as they relate to ITC and each member of the ITC Group) do not apply to the failure or omission to reach an agreement regarding the modifications to the financial terms of the Merger Agreement as described in Section 1.02(d) of the Merger Agreement, provided however that this Section 8.09 does not alter the obligations of the Parties under Section 1.02(d).

(b) Entergy and TransCo shall use their respective reasonable best efforts to obtain the Ruling.

Section 8.10 Release of Security Interests for Recently Acquired Assets. Each Utility OpCo shall, and Entergy shall cause each Utility OpCo to, promptly (but, in any event, within thirty (30) days after the Closing) remove any Security Interests for Transmission Assets

acquired in the ordinary course of business immediately prior to the Closing that have not been released under each Utility OpCo's mortgage debt instruments.

ARTICLE IX

CONDITIONS TO THE TRANSCO TRANSFER

Section 9.01 Conditions to the TransCo Transfer. The obligations of Entergy to effect the TransCo Transfer pursuant to this Agreement shall be subject to fulfillment (or waiver by Entergy) at or prior to the Separation Date of the following conditions: (a) each of the conditions to Entergy's obligation to effect the Closing of the transactions contemplated by the Merger Agreement, as provided in Section 6.01 and Section 6.03 of the Merger Agreement, shall have been satisfied or waived (other than those conditions that, by their nature, are to be satisfied between the Separation Time and Closing or contemporaneously with the Closing), (b) ITC shall have irrevocably confirmed to Entergy in writing that as of such date each condition to ITC's obligation to effect the Closing of the transactions contemplated by the Merger Agreement, as provided in Section 6.01 and Section 6.02 of the Merger Agreement, shall have been satisfied or waived (other than those conditions that, by their nature, are to be satisfied between the Separation Time and Closing or contemporaneously with the Closing) and (c) the Financings shall have been completed in accordance with and subject to the terms of this Agreement, and the sum of the TransCo Securities Principal Amount issued to Entergy pursuant to Section 2.01(b) and the TransCo Subs Principal Amount shall be at least equal to the Transaction Maximum Principal Amount (as may be adjusted pursuant to Section 1.02 of the Merger Agreement).

ARTICLE X

DISPUTE RESOLUTION

Section 10.01 Negotiation.

(a) Each Party shall appoint a representative who shall be responsible for administering this dispute resolution provision (the "Appointed Representative"). The Appointed Representative shall have the authority to resolve any such disputes.

(b) Except as otherwise provided in this Agreement or in any Ancillary Agreement, in the event of a controversy, dispute or claim arising out of, in connection with, or in relation to the interpretation, performance, nonperformance, validity, termination or breach of this Agreement or any Ancillary Agreement or otherwise arising out of, or in any way related to this Agreement or any Ancillary Agreement or the transactions contemplated hereby or thereby (but specifically excluding the Merger Agreement where any disputes under the Merger Agreement shall be resolved pursuant to the terms thereof) (collectively, the "Agreement Disputes"), the Appointed Representatives shall negotiate in good faith for a reasonable period of time to settle such Agreement Dispute; provided, that (i) such reasonable period shall not, unless otherwise agreed by the relevant Parties in writing, exceed fifteen (15) calendar days from the time of receipt by a Party of written notice of such Agreement Dispute and (ii) the relevant employees from both Parties with knowledge and interest in the dispute shall first have tried to resolve the differences between the Parties. Nothing said or disclosed, nor any

document produced, in the course of any negotiations, conferences and discussions in connection with efforts to settle an Agreement Dispute that is not otherwise independently discoverable shall be offered or received as evidence or used for impeachment or for any other purpose, but shall be considered as to have been disclosed for settlement purposes.

(c) If a satisfactory resolution is not achieved between the parties' Appointed Representatives, upon mutual agreement by the Parties, the Parties may submit the dispute to non-binding mediation, or in the absence of such mutual agreement, either Party may resort to any other remedy available at law or equity.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Expenses. Except as otherwise provided in this Agreement, including Section 3.10(b), Section 5.02, Section 5.03, Section 5.04 and the Merger Agreement or any Ancillary Agreement, each Party shall be responsible for the fees and expenses of the Parties as provided in Section 8.02 of the Merger Agreement.

Section 11.02 Entire Agreement. This Agreement, the Confidentiality Agreements, the Merger Agreement and the Ancillary Agreements, including any related annexes, schedules and exhibits, as well as any other agreements and documents referred to herein and therein, shall together constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof and shall supersede all prior negotiations, agreements and understandings of the Parties of any nature, whether oral or written, with respect to such subject matter.

Section 11.03 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

Section 11.04 Specific Performance; Jurisdiction. The Parties understand and agree that the covenants and agreements on each of their parts herein contained are uniquely related to the desire of the Parties and their respective Affiliates to consummate the Transactions, that the Transactions are a unique business opportunity at a unique time for each of Entergy and ITC and their respective Affiliates, and further agree that irreparable damage would occur in the event that any provision of this Agreement were not performed in accordance with its specific terms and further agree that, although monetary damages may be available for the breach of such covenants and agreements, monetary damages would be an inadequate remedy therefor. It is accordingly agreed that, in addition to any other remedy that may be available to it, including monetary damages, each of the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Each of the Parties further agree that no party to this Agreement shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining

any remedy referred to in this Section 11.04 and each party waives any objection to the imposition of such relief or any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument. In addition, each of the Parties irrevocably agrees that any legal action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other party hereto or its successors or assigns, shall be brought and determined exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Each of the Parties hereby irrevocably submits with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the aforesaid courts. Each of the Parties hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason other than the failure to serve in accordance with this Section 11.04, (b) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by the applicable Law, any claim that (i) the suit, action or proceeding in such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

Section 11.05 Waiver of Jury Trial. EACH OF THE PARTIES IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 11.06 Notices. All notices, requests, permissions, waivers and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) five (5) Business Days following sending by registered or certified mail, postage prepaid, (b) when sent, if sent by facsimile, provided, that the facsimile transmission is promptly confirmed and any facsimile transmission received after 5:00 p.m. Eastern time shall be deemed received at 9:00 a.m. Eastern time on the following Business Day, (c) when delivered, if delivered personally to the intended recipient and (d) one (1) Business Day following sending by overnight delivery via a national courier service and, in each case, addressed to a Party at the following address for such Party:

- (a) If to Entergy:
- Entergy Corporation
639 Loyola Avenue
New Orleans, Louisiana 70113
Attn: J. Wayne Leonard, Chief Executive Officer
Facsimile: (504) 576-2776

with a copy to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005
Attn: Pankaj K. Sinha, Esq.
Michael P. Rogan, Esq.
Facsimile: (202) 393-5760

(b) If to ESI:

Entergy Services, Inc.
639 Loyola Avenue
New Orleans, Louisiana 70113
Attn: J. Wayne Leonard, Chief Executive Officer
Facsimile: (504) 576-2776

(c) If to Arkansas OpCo:

Entergy Arkansas, Inc.
425 West Capitol Avenue
Little Rock, Arkansas 72201
Attn: Hugh T. McDonald, Chairman of the Board, President and Chief
Executive Officer
Facsimile: (501) 377-3599

(d) If to Gulf States OpCo:

Entergy Gulf States Louisiana, L.L.C.
446 North Boulevard
Baton Rouge, Louisiana 70802
Attn: William H. Mohl, Chairman of the Board, President and Chief
Executive Officer
Facsimile: (225) 381-5749

(e) If to Louisiana OpCo:

Entergy Louisiana, LLC
4809 Jefferson Highway
Jefferson, Louisiana 70121
Attn: William H. Mohl, Chairman of the Board, President and Chief
Executive Officer
Facsimile: (225) 381-5749

- (f) If to Mississippi OpCo:
- Entergy Mississippi, Inc.
308 East Pearl Street
Jackson, Mississippi 39201
Attn: Haley R. Fisackerly, Chairman of the Board, President and Chief
Executive Officer
Facsimile: (601) 969-2400
- (g) If to New Orleans OpCo:
- Entergy New Orleans, Inc.
505 Magnolia Street
New Orleans, Louisiana 70119
Attn: Charles L. Rice, Jr., Chairman of the Board, President and Chief
Executive Officer
Facsimile: (504) 670-3605
- (h) If to Texas OpCo:
- Entergy Texas, Inc.
350 Pine Street
Beaumont, Texas 77701
Attn: Joseph F. Domino, Chairman of the Board, President and Chief
Executive Officer
Facsimile: (409) 981-2449
- (i) If to TransCo prior to the Distribution Date:
- Mid South TransCo LLC
c/o Entergy Corporation
639 Loyola Avenue
New Orleans, Louisiana 70113
Attn: J. Wayne Leonard, Chief Executive Officer
Facsimile: (504) 576-2776

with a copy to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005
Attn: Pankaj K. Sinha, Esq.
Michael P. Rogan, Esq.
Facsimile: (202) 393-5760

(j) If to TransCo on or after the Distribution Date:

c/o ITC Holdings Corp.
27175 Energy Way
Novi, MI 48377
Attn: Daniel J. Oginsky, Senior Vice President and General Counsel
Facsimile: (248) 946-3562

with a copy to (which shall not constitute notice):

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Attn: Andrew W. Smith, Esq.
Facsimile: (212) 455-2502

(k) If to ITC:

ITC Holdings Corp.
27175 Energy Way
Novi, MI 48377
Attn: Daniel J. Oginsky, Senior Vice President and General Counsel
Facsimile: (248) 946-3562

with a copy to (which shall not constitute notice):

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Attn: Andrew W. Smith, Esq.
Facsimile: (212) 455-2502

or to such other address(es) as shall be furnished in writing by any such Party to the other Party in accordance with the provisions of this Section 11.06.

Section 11.07 Amendments and Waivers.

(a) This Agreement may be amended and any provision of this Agreement may be waived, provided, however, that any such waiver shall be binding upon a Party only if such waiver is set forth in a writing executed by such Party and any such amendment shall be effective only if set forth in a writing executed by each of the Parties. No course of dealing between or among any Persons having any interest in this Agreement shall be deemed effective to modify, amend or discharge any part of this Agreement or any rights or obligations of any Party under or by reason of this Agreement.

(b) No delay or failure in exercising any right, power or remedy hereunder shall affect or operate as a waiver thereof; nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power or remedy preclude any

further exercise thereof or of any other right, power or remedy. The rights and remedies hereunder are cumulative and not exclusive of any rights or remedies that any Party would otherwise have. Any waiver, permit, consent or approval of any kind or character of any breach or default under this Agreement or any such waiver of any provision of this Agreement must satisfy the conditions set forth in Section 11.07(a) and shall be effective only to the extent in such writing specifically set forth.

Section 11.08 Termination. This Agreement shall terminate without further action at any time before the Closing upon termination of the Merger Agreement. If terminated, no Party shall have any Liability of any kind to the other Party or any other Person on account of this Agreement, except as provided in the Merger Agreement.

Section 11.09 No Third-Party Beneficiaries. Except for the provisions of Article V with respect to indemnification of Indemnitees, which is intended to benefit and be enforceable by the Persons specified therein as Indemnitees, this Agreement is solely for the benefit of the Parties and does not confer on third parties (including any employees of any member of the Entergy Group or the TransCo Group) any remedy, claim, reimbursement, claim of action or other right in addition to those existing without reference to this Agreement.

Section 11.10 Assignability; Binding Effect. This Agreement is not assignable by any Party without the prior written consent of the other Parties and any attempt to assign this Agreement without such consent shall be void and of no effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

Section 11.11 Construction; Interpretation. Headings of the Articles and Sections of this Agreement are for convenience of the parties only and shall be given no substantive or interpretive effect whatsoever. The table of contents to this Agreement is for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever required by the context, any pronoun used in this Agreement or the Schedules hereto shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns, pronouns and verbs shall include the plural and vice versa. Reference to any agreement, document or instrument means such agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The Parties have participated jointly in the negotiation and drafting of this Agreement, the Merger Agreement and the Ancillary Agreements. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

Section 11.12 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is

so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

Section 11.13 Counterparts. This Agreement may be executed in multiple counterparts (any one of which need not contain the signatures of more than one Party), each of which shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. This Agreement, and any amendments hereto, to the extent signed and delivered by means of a facsimile machine or other electronic transmission, shall be treated in all manner and respects as an original agreement and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. At the request of any Party, the other Party shall re-execute original forms thereof and deliver them to the requesting Party. No Party shall raise the use of a facsimile machine or other electronic means to deliver a signature or the fact that any signature was transmitted or communicated through the use of a facsimile machine or other electronic means as a defense to the formation of a Contract and each such Party forever waives any such defense.

Section 11.14 Plan of Reorganization. This Agreement is intended to evidence a plan of reorganization for the Transactions under Treasury Regulation Section 1.368-2(g).

ARTICLE XII

DEFINITIONS

Section 12.01 Definitions. For purposes of this Agreement, the following terms, when utilized in a capitalized form, shall have the following meanings:

“Action” means any demand, charge, claim, action, suit, counter suit, arbitration, mediation, hearing, inquiry, proceeding, audit, review, complaint, litigation or investigation, or proceeding of any nature whether administrative, civil, criminal, regulatory or otherwise, by or before any federal, state, local, foreign or international Governmental Authority or any arbitration or mediation tribunal.

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such other Person as of the date on which, or at any time during the period for which, the determination of affiliation is being made. For purposes of this definition, the term “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any Person means 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 Contract or otherwise.

“Agreement” has the meaning set forth in the preamble.

“Agreement Date” means the first day on which this Agreement is a binding contract within the meaning of Temporary Treasury Regulation Section 1.368-1T(e)(2)(ii)(A).

“Agreement Disputes” has the meaning set forth in Section 10.01(b).

“Ancillary Agreements” means the Employee Matters Agreement, the Transition Services Agreement, the Generation Interconnection Agreements, the Distribution-Transmission Interconnection Agreement, the Telecom Agreement, the Software/IP License Agreement, the Joint Use / Pole Attachment Agreement and any other agreements mutually agreed to by the Parties pursuant to Section 4.02(a)(viii).

“Appointed Representative” has the meaning set forth in Section 10.01(a).

“Arkansas OpCo” has the meaning set forth in the preamble.

“Assets” means any and all assets, properties and rights (including goodwill), wherever located (including in the possession of vendors or other third parties or elsewhere), whether real, personal or mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person, including the following: (i) in respect of TransCo Employees and subject to any applicable collective bargaining obligations, performance reviews in respect of the period while employed by a member of the TransCo Group, Forms I-9 and W-4, service credit records, vacation and other leave accrual/balance records, and employee benefit election records in effect as of Closing, (ii) records pertaining to customers, suppliers and agents, (iii) all accounting, business and other books, records and files, whether in paper, microfilm, microfiche, computer tape or disc, magnetic tape or any other form, (iv) all computers and other electronic data processing equipment, telecommunication equipment and data, fixtures, machinery, equipment, furniture, office equipment, motor vehicles and other transportation equipment, special and general tools, apparatus, cables, electrical devices, prototypes and models, test devices, transmitters, other miscellaneous supplies and other tangible personal property of any kind, (v) all inventories of materials, parts, raw materials, packing materials, supplies, work-in-process, goods in transit, consigned goods and finished goods and products, (vi) all Real Property Interests, (vii) all interests in any capital stock or other equity interests of any Subsidiary or any other Person; all bonds, notes, debentures, evidences of indebtedness, puts, calls, straddles, options and other securities of any kind issued by any Subsidiary or any other Person; all loans, advances or other extensions of credit or capital contributions to any Subsidiary or any other Person, and all other investments in securities of any Person, (viii) all Permits, distribution and supplier arrangements, sale and purchase agreements, joint operating agreements, license agreements, leases of personal property, open purchase orders for raw materials, supplies, parts or services, unfilled orders for the manufacture and sale of products and all other Contracts and business arrangements, (ix) all deposits, letters of credit and performance and surety bonds, (x) all Intellectual Property Rights and licenses from third persons granting the right to use any Intellectual Property Rights, (xi) all software owned, licensed or used, (xii) all cost information; sales and pricing data; customer prospect lists; supplier records; customer, distribution and supplier lists; customer and vendor data, correspondence and lists; product literature (including historical); advertising and promotional materials, and other printed or written materials; artwork; design; development, manufacturing and quality control records, procedures and files; vendor and customer drawings, formulations and specifications; quality records and reports and other books, records, ledgers, files, documents, plats, photographs, studies, surveys, reports, plans and documents, operating, production and other manuals, including corporate minute books and related stock records, financial and Tax records (including Tax Returns), in all cases whether in paper, microfilm, microfiche, computer tape or disc, magnetic tape or any other form, (xiii) all

prepaid expenses, including prepaid leases and prepaid rentals, trade accounts and other accounts and notes receivables (whether current or non-current), (xiv) all interests, rights to causes of action, lawsuits, judgments, claims, counterclaims, rights under express or implied warranties, rights of recovery and rights of setoff of any kind, demands and benefits of any Person, including all claims or rights against any Person arising from the ownership of any Asset, all rights in connection with any bids or offers, causes of action or similar rights, whether accrued or contingent and (xv) all Governmental Approvals, and other licenses and authorizations issued by any Governmental Authority.

“Assumed AP” has the meaning set forth in Section 3.05(a)(xxiii)(3).

“Basket” has the meaning set forth in Section 5.06.

“Business Day” means any day that is not a Saturday, a Sunday or other day that is a statutory holiday under the federal Laws of the United States. In the event that any action is required or permitted to be taken under this Agreement on or by a date that is not a Business Day, such action may be taken on or by the Business Day immediately following such date.

“Casualty Loss” has the meaning set forth in Section 8.07.

“Closing” has the meaning given to such term in the Merger Agreement.

“Closing Date” has the meaning given to such term in the Merger Agreement.

“Code” means the United States Internal Revenue Code of 1986 (or any successor statute), as amended from time to time.

“Collective Bargaining Agreements” mean all agreements with the collective bargaining representatives of TransCo Employees that set forth the terms and conditions of employment of TransCo Employees, and all modifications of, or amendments to, such agreements and any rules, procedures, awards or decisions of competent jurisdiction interpreting or applying such agreements.

“Condemnation Event” has the meaning set forth in Section 8.07.

“Confidential Business Information” shall mean all Information, data or material other than Confidential Operational Information, including (i) earnings reports and forecasts, (ii) macro-economic reports and forecasts, (iii) business and strategic plans, (iv) general market evaluations and surveys, (v) litigation presentations and risk assessments, (vi) budgets and (vii) financing and credit-related information.

“Confidential Information” shall mean Confidential Business Information and Confidential Operational Information concerning a Party and/or its Subsidiaries which, prior to or following the Effective Time, has been disclosed by a Party or its Subsidiaries to the other Party or its Subsidiaries, in written, oral (including by recording), electronic or visual form, or otherwise has come into the possession of the other Party, including pursuant to the access provisions of Section 7.02 or any other provision of this Agreement or any Ancillary Agreement (except to the extent that such information can be shown to have been (i) in the public domain

through no action of such Party or its Subsidiaries, (ii) lawfully acquired from other sources by such Party or its Subsidiaries to which it was furnished, (iii) is independently developed by a Party or its Subsidiaries after the date hereof without reference to the Confidential Business Information or Confidential Operational Information of the other Party or its Subsidiaries and without a breach of this Agreement or (iv) approved for release by written authorization of the disclosing Party and/or the third-party owner of the disclosed information; provided, however, in the case of clause (ii) that, to the furnished Party's knowledge, such sources did not provide such information in breach of any confidentiality obligations).

"Confidential Operational Information" shall mean all operational Information, data or material including (i) specifications, ideas and concepts for products, services and operations, (ii) quality assurance policies, procedures and specifications, (iii) customer information, (iv) software, (v) training materials and information and (vi) all other know-how, methodologies, procedures, techniques and trade secrets related to design, development and operational processes.

"Confidentiality Agreements" means those written confidentiality agreements previously entered into by Entergy and ITC relating to the Transactions.

"Consent Committee" has the meaning set forth in Section 3.10(a).

"Consents" means any consents, waivers or approvals from, or notification requirements to, or authorizations by, any third parties.

"Contract" means any legally binding written or oral agreement, contract, subcontract, lease, understanding, instrument, note, option, warranty, sales order, purchase order, license, sublicense, insurance policy, benefit plan or commitment or undertaking of any nature, excluding any Permit.

"Convey" has the meaning set forth in Section 3.01. Variants of this term such as "Conveyance" shall have correlative meanings.

"Creditors" has the meaning set forth in Section 2.01(a).

"Customer Deposits" has the meaning set forth in Section 3.05(a)(xxiii)(1).

"Debt Exchange" has the meaning set forth in Section 2.01(c).

"Deferred Asset" has the meaning set forth in Section 3.10(b).

"Distribution" has the meaning given to such term in the Merger Agreement.

"Distribution Date" means the earliest date on which any part of the Distribution occurs.

"Distribution-Transmission Interconnection Agreement" has the meaning set forth in Section 4.02(a)(iii).

"Effective Time" has the meaning given to such term in the Merger Agreement.

“EGSH LLC” has the meaning set forth in Section 1.05.

“ELH LLC” has the meaning set forth in Section 1.05.

“Employee Matters Agreement” means that certain Employee Matters Agreement, dated the date hereof, between Entergy, ITC and TransCo, attached hereto as Exhibit B.

“EMS” has the meaning set forth in Section 3.05(a)(vi)(1).

“Entergy” has the meaning set forth in the preamble.

“Entergy Contribution” has the meaning set forth in Section 1.06.

“Entergy Disclosure Letter” has the meaning given to such term in the Merger Agreement.

“Entergy Exchangeable Debt” has the meaning set forth in Section 2.01(a).

“Entergy Group” means Entergy and each of its Subsidiaries, but excluding any member of the TransCo Group.

“Entergy Guarantees” means arrangements in which guaranties (including guaranties of performance or payment under Contracts, commitments, Liabilities and Permits), letters of credit or other credit or credit support arrangements, including bid bonds, advance payment bonds, performance bonds, payment bonds, retention and/or warranty bonds or other bonds or similar instruments, were or are issued, entered into or otherwise put in place by any Person other than any member of the TransCo Group to support or facilitate, or otherwise in respect of, the obligations of any member of the TransCo Group or the Transmission Business or Contracts, commitments, Liabilities and Permits of any member of the TransCo Group or the Transmission Business.

“Entergy Indemnitees” means Entergy, each member of the Entergy Group, and all Persons who are or have been shareholders, directors, partners, managers, managing members, officers, agents or employees of any member of the Entergy Group (in each case, in their respective capacities as such) (excluding any shareholder of Entergy), together with their respective heirs, executors, administrators, successors and assigns.

“Entergy Names and Marks” has the meaning set forth in Section 8.03(a).

“Entergy OATT” means the Open Access Transmission Tariff, currently on file with the FERC, as maintained by certain Entergy Group entities.

“Entergy Regulatory Approvals” has the meaning given to such term in the Merger Agreement.

“Entergy Tax Loss” has the meaning set forth in Section 6.03(a).

“Entergy Transfer Documents” has the meaning set forth in Section 4.04.

“Environmental Laws” means all Laws relating to pollution or protection of the environment, natural resources (including non-human species) or human health and safety as affected by exposure to hazardous substances, pollutants or contaminants, including, without limitation, laws relating to Releases or threatened Releases of Hazardous Materials (including, without limitation, Releases to ambient air, surface water, groundwater, land, surface and subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, Release, transport, disposal or handling of Hazardous Materials. “Environmental Laws” include, without limitation, CERCLA (42 U.S.C. Section 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. Sections 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Sections 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. Sections 1251 et seq.), the Clean Air Act (42 U.S.C. Sections 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. Sections 2601 et seq.), the Oil Pollution Act (33 U.S.C. Sections 2701 et seq.), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. Sections 11001 et seq.), the Occupational Safety and Health Act (29 U.S.C. Sections 651 et seq.), the Endangered Species Act (16 U.S.C. Sections 1531 et seq.), the Migratory Bird Treaty Act (16 U.S.C. Sections 703 et seq.), the Bald and Golden Eagle Protection Act (16 U.S.C. Sections 668 et seq.) and state laws analogous to any of the above.

“ESI” has the meaning set forth in the preamble.

“Exchangeable Debt Financing” has the meaning set forth in Section 2.01(a).

“Excluded Assets” has the meaning set forth in Section 3.05(b).

“Excluded Liabilities” has the meaning set forth in Section 3.06(b).

“Facilities Charge Agreement” has the meaning set forth in Section 4.02(a)(viii).

“FERC” means the United States Federal Energy Regulatory Commission.

“Final Determination” means the resolution of liability for any Tax for any taxable period, by or as a result of (A) the expiration of the applicable statute of limitations on assessments for the year, as extended by agreement, (B) a decision, judgment, decree or other order by a court of competent jurisdiction, which has become final and unappealable, or (C) a closing agreement or an accepted offer in compromise under Sections 7121 or 7122 of the Code or any other final settlement with the IRS or any other applicable taxing authority.

“Financings” has the meaning set forth in Section 2.03.

“Former Employee” has the meaning set forth in Section 8.02(b).

“Franchise” has the meaning set forth in Section 3.10(c).

“Generation Interconnection Agreements” has the meaning set forth in Section 4.02(a)(ii).

“Governmental Approvals” means any notices, reports or other filings to be made, or any Consents, registrations, permits or authorizations to be obtained from, any Governmental

Authority; provided, however, that the Entergy Regulatory Approvals and the ITC Regulatory Approvals shall not constitute Governmental Approvals for purposes of this Agreement.

“Governmental Authority” means any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority or self-regulatory organization.

“Group” means the Entergy Group, the ITC Group or the TransCo Group, as the context requires.

“Gulf States OpCo” has the meaning set forth in the preamble.

“Hazardous Materials” means (a) any petrochemical or petroleum products, oil or coal ash, radioactive materials, radon gas, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and transformers or other equipment that contain dielectric fluid which contains any polychlorinated biphenyls; (b) any chemicals, materials or substances defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “hazardous constituents,” “restricted hazardous materials,” “extremely hazardous substances,” “toxic substances,” “contaminants,” “pollutants,” “toxic pollutants” or words of similar meaning and regulatory effect under any applicable Law; and (c) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by, or that may result in liability under, any applicable Law.

“Indebtedness” has the meaning given to such term in the Merger Agreement.

“Indemnifying Party” has the meaning set forth in Section 5.07(b).

“Indemnitee” has the meaning set forth in Section 5.07(b).

“Indemnity Payment” has the meaning set forth in Section 5.08(a).

“Information” means information in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, Contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data, but in any case excluding back-up tapes.

“Intellectual Property Rights” means all worldwide intellectual property and industrial property rights, including without limitation, all (a) patents, inventions, technology, processes and designs, (b) trademarks, trade names, service marks, domain names, logos, trade dress, and other source indicators, and all goodwill symbolized thereby, (c) copyrights, works of authorship, computer software and systems, (d) trade secrets, know-how, and tangible and intangible proprietary information and materials and (e) any applications, registrations, renewals, foreign

counterparts, extensions, continuations, continuations-in-part, re-examinations, reissues, and divisionals of the foregoing.

“Intended Tax-Free Treatment” has the meaning given to such term in the Merger Agreement.

“Intercompany Account” means any receivable, payable or loan between any member of the Entergy Group, on the one hand, and any member of the TransCo Group, on the other hand, that exists prior to the Distribution Date and is reflected in the records of the relevant members of the Entergy Group and the TransCo Group except for any such receivable, payable or loan that arises pursuant to this Agreement, the Merger Agreement or any Ancillary Agreement.

“Internal Restructuring” has the meaning set forth in Section 1.01(b).

“ITC” has the meaning set forth in the preamble.

“ITC Group” means ITC and each of its Affiliates, including after the Closing, the TransCo Group.

“ITC Regulatory Approvals” has the meaning given to such term in the Merger Agreement.

“Joint Use / Pole Attachment Agreement” has the meaning set forth in Section 4.02(a)(vii).

“Law” means any statute, law (including common law), ordinance, regulation, rule, code or other legally enforceable requirement of, or Order issued by, a Governmental Authority.

“Leased Premises” has the meaning set forth in Section 3.05(a)(viii).

“Liabilities” means all debts, liabilities (including liabilities for Taxes), guarantees, assurances, commitments and obligations, whether fixed, contingent or absolute, asserted or unasserted, matured or unmatured, liquidated or unliquidated, accrued or not accrued, known or unknown, due or to become due, whenever or however arising (including whether arising out of any Contract or tort based on negligence, strict liability or relating to Taxes payable by a Person in connection with compensatory payments to employees or independent contractors) and whether or not the same would be required by generally accepted principles and accounting policies to be reflected in financial statements or disclosed in the notes thereto.

“Losses” means Liabilities, damages, penalties, judgments, assessments, losses, costs and expenses (including reasonable attorneys’ fees and expenses) in any case, whether arising under strict liability or otherwise; provided, however, that (i) with respect to claims other than Third-Party Claims, “Losses” shall not include attorneys’ fees or other arbitration or litigation expenses (including experts’ fees and administrative costs) incurred in connection with the prosecution of such claim under the provisions set forth in Article V and (ii) “Losses” shall not include any punitive, exemplary or special damages or any indirect or consequential damages that are not reasonably foreseeable, in each case, except to the extent awarded by a court of competent jurisdiction in connection with a Third-Party Claim.

“Louisiana OpCo” has the meaning set forth in the preamble.

“Merger” has the meaning set forth in the recitals.

“Merger Agreement” has the meaning set forth in the recitals.

“Merger Sub” has the meaning given to such term in the recitals.

“Mississippi OpCo” has the meaning set forth in the preamble.

“Multifunction Contract” has the meaning set forth in Section 3.05(a)(xvi).

“Net Book Value” means the original cost of property, plant and equipment reflected on the applicable asset register of the applicable Party’s accounting records, reduced by accumulated depreciation applicable to the original cost of property, plant and equipment, such property, plant and equipment having been reduced by any amount(s) received by the applicable Party from any customer(s) as a contribution in aid of construction, in all cases in accordance with the FERC Uniform System of Accounts.

“Net-Tax Basis” has the meaning set forth in Section 5.08(c).

“New Exchangeable Debt” has the meaning set forth in Section 2.01(a).

“New Orleans OpCo” has the meaning set forth in the preamble.

“Order” means any: (i) order, judgment, injunction, edict, decree, ruling, pronouncement, determination, decision, opinion, verdict, sentence, subpoena, writ or award issued, made, entered, rendered or otherwise put into effect by or under the authority of any court, administrative agency or other Governmental Authority or any arbitrator or arbitration panel or (ii) Contract with any Governmental Authority entered into in connection with any Action.

“Party” or “Parties” has the meaning set forth in the preamble.

“Permits” means all franchises, permits, certifications, licenses, easements, servitudes, variances, authorizations, rights, exemptions approvals, consents, waivers, registrations or other authorization of Governmental Authorities issued under or with respect to applicable Laws or Orders and used or held by Entergy for the operation of Transmission Assets.

“Permitted Encumbrance” has the meaning given to such term in the Merger Agreement.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a Governmental Authority.

“Post-Closing Claims” has the meaning set forth in Section 8.06(c).

“Pre-Closing Occurrence Based Policies” has the meaning set forth Section 8.06(c).

“Pre-Distribution Taxable Year” means any taxable year ending on or before the Distribution Date and the taxable year within which the Distribution Date occurs, or in the case of TransCo’s taxable year for United States federal income tax purposes, any taxable year ending on or before the day TransCo ceases to be a member of the Entergy affiliated group, as defined in Section 1504(a) of the Code.

“Prohibited Act” has the meaning set forth in Section 6.01.

“Proposed Acquisition Transaction” means a transaction or series of transactions (or (i) any agreement, understanding, arrangement, or substantial negotiations, or (ii) discussions with an investment banker with respect to a public offering, in each case, within the meaning of Section 355(e) of the Code and Treasury Regulation Section 1.355-7, regarding a transaction or series of transactions), other than any of the Transactions or any other transaction that would not constitute a Prohibited Act pursuant to Section 6.01 (excluding paragraph (a) therein) of this Agreement, whether such transaction is supported by ITC management or TransCo management or shareholders of either, is a hostile acquisition, or otherwise, as a result of which ITC or TransCo would merge or consolidate with any other Person or as a result of which any Person or any group of related Persons would (directly or indirectly) acquire, or have the right to acquire (directly or indirectly) from ITC or TransCo and/or one or more holders of ITC Capital Stock or TransCo Capital Stock, any amount of ITC Capital Stock or TransCo Capital Stock. For purposes of determining whether a transaction constitutes an indirect acquisition, any recapitalization resulting in a shift of value or voting power or any redemption of shares of stock shall be treated as an indirect acquisition of shares of stock by the non-exchanging shareholders.

“Purchased Exchangeable Debt” has the meaning set forth in Section 2.01(a).

“Real Property Interests” means all interests in real property of whatever nature, including easements and servitudes, whether as owner or holder of a Security Interest, lessor, sublessor, lessee, sublessee or otherwise.

“Related Party Agreements” has the meaning set forth in Section 3.09(a).

“Release” means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into surface water, groundwater, land surface or subsurface strata or ambient air (including the abandonment or discarding of barrels, containers and other closed receptacles containing any hazardous substance or pollutant or contaminant).

“Representatives” means with respect to any Person, such Person’s officers, employees, accountants, consultants, legal counsel, financial advisors, agents, directors and other representatives.

“Restricted Period” has the meaning set forth in Section 8.02(a).

“Restriction Period” means the period beginning on the Agreement Date and ending two years and one day after the Distribution Date.

“Restructuring Transaction” means any transaction undertaken in connection with the TransCo Transfer, Internal Restructuring, Entergy Contribution and the Distribution, to the extent such transaction is listed or described in this Agreement, the Merger Agreement, the Ruling, the Ruling Request or the Tax Opinion.

“RTO Migration” has the meaning given to such term in the Merger Agreement.

“Ruling” has the meaning given to such term in the Merger Agreement.

“Ruling Request” has the meaning given to such term in the Merger Agreement.

“Security Interest” means any mortgage, security interest, pledge, lien, charge, claim, option, indenture, right to acquire, right of first refusal, deed of trust, licenses to third parties, leases to third parties, security agreements, voting or other restriction, right-of-way, covenant, condition, easement, servitude, zoning matters, permit, restriction, encroachment, restriction on transfer, restrictions or limitations on use of real or personal property or any other encumbrance of any nature whatsoever, imperfections in or failure of title or defect of title.

“Separation” means the TransCo Transfer, the Financings and the other transactions contemplated by this Agreement to transfer the Transmission Business to TransCo.

“Separation Date” has the meaning set forth in Section 4.01.

“Separation Time” has the meaning set forth in Section 4.01.

“Software/IP License Agreement” has the meaning set forth in Section 4.02(a)(v).

“Specified Land Right Consents” has the meaning set forth in Section 3.10(a).

“Subsidiary” means, with respect to any Person, any corporation or other entity (including partnerships and other business associations and joint ventures) of which at least a majority of the voting power represented by the outstanding capital stock or other voting securities or interests having voting power under ordinary circumstances to elect directors or similar members of the governing body of such corporation or entity (or, if there are no such voting interests, fifty percent (50%) or more of the equity interests in such corporation or entity) shall at the time be held, directly or indirectly, by such Person.

“Tax” or “Taxes” means all taxes, charges, fees, levies, penalties or other assessments imposed by any federal, state, local, provincial or foreign taxing authority, including income, gross receipts, excise, real or personal property, sales, use, transfer, customs, duties, franchise, payroll, withholding, social security, receipts, license, stamp, occupation, employment, or any tax based upon, measured by or calculated with respect to the generation of electricity or other taxes, including any interest, penalties or additions attributable thereto, and any payments to any state, local, provincial or foreign taxing authorities in lieu of any such taxes, charges, fees, levies or assessments.

“Tax Controversy” means any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any audit, examination, claim, adjustment or other proceeding related to Taxes..

“Tax Documents” means the Ruling, the Ruling Request and the Tax Opinion.

“Tax Expert” means one of the firms identified as such in Section 9.01 of the Entergy Disclosure Letter.

“Tax Opinion” has the meaning given to such term in the Merger Agreement.

“Tax Return” means any return, report, information return, declaration, claim for refund or other document (including any schedule or related or supporting information) required to be supplied to any Governmental Authority with respect to Taxes including amendments thereto, including any return filed by a nuclear decommissioning trust.

“Telecom Agreement” has the meaning set forth in Section 4.02(a)(vi).

“Texas OpCo” has the meaning set forth in the preamble.

“Third-Party Claim” has the meaning set forth in Section 5.07(b).

“Third-Party Proceeds” has the meaning set forth in Section 5.08(a).

“Transaction Maximum Principal Amount” has the meaning set forth in Section 2.03.

“Transactional Cash” has the meaning set forth in Section 3.05(a)(xxii).

“Transactions” means the TransCo Transfer, Internal Restructuring, the Entergy Contribution, the Distribution, the Merger, the Financings and the other transactions contemplated by this Agreement, the Merger Agreement and the Ancillary Agreements.

“TransCo” has the meaning set forth in the preamble.

“TransCo Books and Records” has the meaning set forth in Section 3.05(a)(xvii).

“TransCo Capital Stock” means (i) all classes and series of capital stock of TransCo, including, without limitation, the TransCo Common Units, (ii) all instruments properly treated as equity in TransCo for United States federal income tax purposes and (iii) all options, warrants, and other rights respecting (i) or (ii).

“TransCo Common Units” has the meaning set forth in the recitals.

“TransCo Contracts” has the meaning set forth in Section 3.05(a)(xvi).

“TransCo Employee” has the meaning given to such term in the Employee Matters Agreement.

“TransCo Employee Shares” has the meaning given to such term in the Merger Agreement.

“TransCo Group” means TransCo, and each of the TransCo Subs.

“TransCo Indemnitees” means TransCo, each member of the TransCo Group, ITC (from and after the Separation Time), and each of their respective successors and assigns, and all Persons who are or have been shareholders, directors, partners, managers, managing members, officers, agents or employees of any member of the TransCo Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns.

“TransCo IP” has the meaning set forth in Section 3.05(a)(xiv).

“TransCo Real Property” has the meaning set forth in Section 3.05(a)(vii).

“TransCo Securities” has the meaning set forth in Section 2.01(b).

“TransCo Securities Issuance” has the meaning set forth in Section 2.01(b).

“TransCo Securities Principal Amount” has the meaning set forth in Section 2.01(b).

“TransCo Subs” means Arkansas Wires LLC, an Arkansas limited liability company (“AR Wires”), Louisiana Wires 1, L.L.C., a Louisiana limited liability company (“LA 1 Wires”), Louisiana Wires 2, LLC, a Texas limited liability company (“LA 2 Wires”), Mississippi Wires LLC., a Mississippi limited liability corporation (“MS Wires”), New Orleans Wires LLC., a Louisiana limited liability corporation (“NOLA Wires”) and Texas Wires LLC, a Texas limited liability corporation (“TX Wires”), each to be formed in connection with the Internal Restructuring.

“TransCo Subs Financing” has the meaning set forth in Section 2.03.

“TransCo Subs Principal Amount” has the meaning set forth in Section 2.03.

“TransCo Tax Loss” has the meaning set forth in Section 2.03.

“TransCo Transfer” means the transfer of the Transmission Assets and Transmission Liabilities as provided in Section 3.01 and Section 3.02.

“Transfer Documents” has the meaning set forth in Section 4.05.

“Transferable Assets” has the meaning set forth in Section 3.12.

“Transferable Permits” has the meaning set forth in Section 3.05(a)(xi).

“Transition Services Agreement” has the meaning set forth in Section 4.02(a)(iv).

“Transmission” means the movement, delivery or transfer of electric energy through interconnected lines and associated equipment at nominal voltages that are greater than or equal

to 69 kV between points of supply and points at which it is transformed for delivery to customers or is delivered to other electric systems.

“Transmission Assets” has the meaning set forth in Section 3.05(a).

“Transmission Business” means the business function of Entergy conducted prior to the Separation Time by the Entergy Group (including the Utility OpCos) through the ownership, operation, management and maintenance of and investment in assets for Transmission; provided, however, the Transmission Business shall not include any Transmission Assets owned or used by Entergy's Wholesale Commodities reporting segment (as described in Entergy's Securities and Exchange Act of 1934 filings).

“Transmission Common Use Facilities” has the meaning set forth in Section 3.05(a)(iii).

“Transmission Control Facilities” has the meaning set forth in Section 3.05(a)(v).

“Transmission Control Facility Rights” has the meaning set forth in Section 3.05(a)(v).

“Transmission Control System” has the meaning set forth in Section 3.05(a)(vi).

“Transmission Formula Rate” means a formulaic methodology, approved by the FERC, used to annually compute transmission revenue requirements and/or transmission service rates for a utility's electric transmission business, based on either historical or projected data for the utility's assets, liabilities, equity, revenue, and expenses.

“Transmission Land Right Consents” has the meaning set forth in Section 3.10(a)(ii).

“Transmission Land Rights” has the meaning set forth in Section 3.05(a)(iv).

“Transmission Liabilities” has the meaning set forth in Section 3.06(a).

“Transmission Line Facilities” has the meaning set forth in Section 3.05(a)(i).

“Transmission Substation Facilities” has the meaning set forth in Section 3.05(a)(ii).

“Utility OpCo LLCs” means Arkansas OpCo LLC, an Arkansas limited liability company (“Arkansas OpCo LLC”), Gulf States OpCo Louisiana, L.L.C., a Louisiana limited liability company (“GS OpCo LLC”), Louisiana OpCo LLC, a Texas limited liability company (“Louisiana OpCo LLC”), Mississippi OpCo LLC, a Mississippi limited liability corporation (“Mississippi OpCo LLC”), New Orleans OpCo LLC, a Louisiana limited liability corporation (“New Orleans OpCo LLC”) and Texas OpCo LLC, a Texas limited liability corporation (“Texas OpCo LLC”).

“Utility OpCo LLC Contributions” has the meaning set forth in Section 1.04(b).

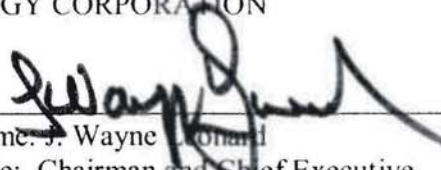
“Utility OpCos” have the meaning set forth in the preamble.

“Working Capital Facility” has the meaning set forth in Section 2.02.

[Signature Pages Follow]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed on its behalf by its officers hereunto duly authorized on the day and year first above written.

ENTERGY CORPORATION

By: 
Name: J. Wayne Leonard
Title: Chairman and Chief Executive Officer

MID SOUTH TRANSCO LLC

By: _____
Name: Theodore H. Bunting, Jr.
Title: President

ENTERGY ARKANSAS, INC.

By: _____
Name: Hugh T. McDonald
Title: President and Chief Executive Officer

ENTERGY GULF STATES LOUISIANA, L.L.C.

By: _____
Name: William M. Mohl
Title: President and Chief Executive Officer

ENTERGY LOUISIANA, LLC


By: _____
Name: William M. Mohl
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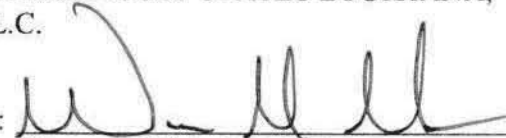
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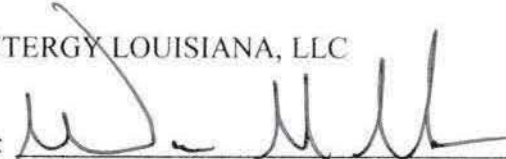
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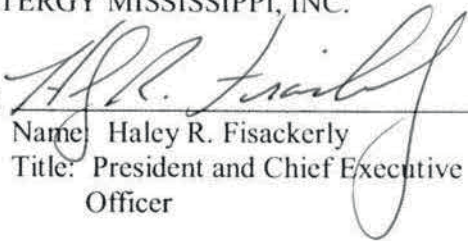
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By: 
Name: Haley R. Fisackerly
Title: President and Chief Executive Officer

ENTERGY NEW ORLEANS, INC.

By: _____
Name: Charles L. Rice, Jr.
Title: President and Chief Executive Officer

ENTERGY TEXAS, INC.

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Name: Joseph F. Domino
Title: President and Chief Executive Officer


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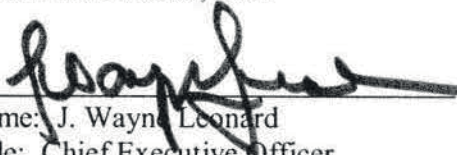
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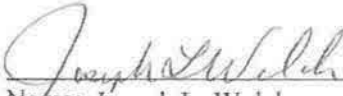
ENTERGY TEXAS, INC.

By: _____
Name: Joseph F. Domino
Title: President and Chief Executive
Officer

ENTERGY SERVICES, INC.

By: 
Name: J. Wayne Leonard
Title: Chief Executive Officer

ITC HOLDINGS CORP.

By: 

Name: Joseph L. Welch

Title: President and Chief Executive Officer

FORM OF DISTRIBUTION-TRANSMISSION INTERCONNECTION AGREEMENT

by and between

[ITC HOLDINGS CORP.]

as Transmission Owner

and

[ENTERGY UTILITY OPCO]¹

as Local Distribution Company

Dated as of _____

¹ The parties to this agreement (“*DTIA*”) will be the entities directly owning the interconnection assets. ITC has reserved on whether it will be one or more entities owning the transmission assets. As to Entergy, each of the six Utility OpCos are currently expected to retain ownership in its respective distribution assets. As a result, there are currently expected to be six DTIAs with each of (i) Entergy Arkansas, Inc., an Arkansas corporation (“*Arkansas OpCo*”), (ii) Entergy Gulf States Louisiana, L.L.C., a Louisiana limited liability company (“*Gulf States OpCo*”), (iii) Entergy Louisiana, LLC, a Texas limited liability company (“*Louisiana OpCo*”), (iv) Entergy Mississippi, Inc., a Mississippi corporation (“*Mississippi OpCo*”), (v) Entergy New Orleans, Inc., a Louisiana corporation (“*New Orleans OpCo*”), and (vi) Entergy Texas, Inc., a Texas corporation (“*Texas OpCo*”), as an Local Distribution Company.

TABLE OF CONTENTS

	Page
Article 1. Definitions.....	2
Article 2. Interconnection Service, Standards and Requirements	9
Article 3. Operation and Maintenance	12
Article 4. Supervisory Control and Data Acquisition (SCADA).....	19
Article 5. Revenue Metering	21
Article 6. Protective Relaying and Control	24
Article 7. Planning and Obligation to Serve.....	26
Article 8. New Construction and Modification	28
Article 9. Access to Facilities	30
Article 10. Notifications and Reporting	31
Article 11. Safety	33
Article 12. Environmental Compliance and Procedures	34
Article 13. Billings and Payment	34
Article 14. Applicable Regulations and Interpretation	35
Article 15. Force Majeure.....	36
Article 16. Limitation of Liability	37
Article 17. Indemnification	37
Article 18. Insurance	39
Article 19. Several Obligations.....	39
Article 20. Confidentiality.....	39
Article 21. Breach, Default and Remedies	41
Article 22. Term.....	43
Article 23. Amendment	44
Article 24. Assignment/Change in Corporate Identity.....	44
Article 25. Subcontractors	45
Article 26. Dispute Resolution	46
Article 27. Miscellaneous Provisions.....	46

EXHIBITS

- Exhibit 1 Identification of the Interconnection Points and Equipment
- Exhibit 2 Contact Information for Local Distribution Company's Site Representatives and Transmission Owner's Site Representatives
- Exhibit 3 Transmission Owner Switching Procedures
- Exhibit 4 Local Distribution Company Switching Procedures
- Exhibit 5 [Reserved]
- Exhibit 6 [Reserved]
- Exhibit 7-1 Form of Easement
- Exhibit 7-2 Schedule of Easements
- Exhibit 8 Metering Specifications
- Exhibit 9 In-Progress Projects
- Exhibit 10 [Reserved]

FORM OF DISTRIBUTION-TRANSMISSION INTERCONNECTION AGREEMENT

This Distribution-Transmission Interconnection Agreement (“Agreement”) is entered into as of the ____ day of _____, 20__ by and between [Entergy Utility OpCo], a _____ (“Local Distribution Company”), having a place of business at _____ and [ITC], a _____ (“Transmission Owner”). Transmission Owner and Local Distribution Company are individually referred to herein as a “Party” and collectively as “Parties.”

WHEREAS, pursuant to the Separation Agreement, dated as of December __, 2011, among Entergy Corporation, a Delaware corporation (“Entergy”), ITC Holdings Corp., a Michigan Corporation, Mid South TransCo LLC, a Delaware limited liability company and presently a Subsidiary of Entergy, Entergy Arkansas, Inc., an Arkansas corporation and a Subsidiary of Entergy, Entergy Gulf States Louisiana, L.L.C., a Louisiana limited liability company and a Subsidiary of Entergy, Entergy Louisiana, LLC, a Texas limited liability company and a Subsidiary of Entergy, Entergy Mississippi, Inc., a Mississippi corporation and a Subsidiary of Entergy, Entergy New Orleans, Inc., a Louisiana corporation and a Subsidiary of Entergy and Entergy Texas, Inc., a Texas corporation and a Subsidiary of Entergy and Entergy Services, Inc., a Delaware corporation and a Subsidiary of Entergy, Transmission Owner will have, as of the Separation Date, purchased from Local Distribution Company the Transmission Business including the Transmission Assets that are presently interconnected with the Distribution System;

WHEREAS, Local Distribution Company will own and/or operate existing and/or new Distribution System facilities from present and/or new locations;

WHEREAS the existing Distribution System facilities currently are connected to the Transmission System and Local Distribution Company will continue to connect the existing Interconnection Equipment to the Transmission System on the terms set forth herein;

WHEREAS, Transmission Owner requires access to parts of Local Distribution Company’s assets, and Local Distribution Company requires access to parts of Transmission Owner’s assets;

WHEREAS, Transmission Owner shall own and/or operate the Transmission System in accordance with Good Utility Practice;

WHEREAS, the Parties have agreed to execute this mutually acceptable Agreement in order to provide interconnection of the Local Distribution Company with the Transmission Owner and to define the continuing rights, responsibilities, and obligations of the Parties with respect to the use of certain of their own and the other Party’s property, assets, and facilities; and

NOW, THEREFORE, in consideration of their respective commitments set forth herein, and intending to be legally bound hereby, the Parties covenant and agree as follows:

Article 1. Definitions

Wherever used in this Agreement with initial capitalization, the following terms shall have the meanings specified or referred to in this Article 1.

- 1.1 Agreement means this Distribution-Transmission Interconnection Agreement between Local Distribution Company and Transmission Owner, including all attachments hereto, as the same may be amended, supplemented, or modified in accordance with its terms.
- 1.2 Applicable Reliability Standards shall mean Reliability Standards approved by the FERC under section 215 of the Federal Power Act, as applicable.
- 1.3 Balancing Authority shall mean the ERO registered entity that is responsible for (i) the integration of resource plans ahead of time, (ii) maintaining load-interchange-generation balance within a defined area, and (iii) supporting interconnection frequency in real time; or its successor as designated by the ERO.
- 1.4 Breach shall have the meaning set forth in Section 21.1.
- 1.5 Common Use Facilities shall mean collectively the Distribution Common Use Facilities and the Transmission Common Use Facilities, and individually, as the context requires, Distribution Common Use facilities if located at a Distribution-Owned Substation and Transmission Common Use Facilities if located at a Transmission-Owned Substation.
- 1.6 Confidential Information shall have the meaning set forth in Section 20.1 hereof.
- 1.7 Default shall have the meaning set forth in Section 21.1.
- 1.8 Dispute shall have the meaning set forth under Section 26.1 hereof.
- 1.9 Distribution Common Use Facilities means any and all structures, equipment, facilities and other Assets (other than interests in real property) that are (A) located at a Distribution-Owned Substation, and (B) are used in support of both Transmission System functions and Distribution System functions.
- 1.10 Distribution-Owned Substation means (A) substations with Distribution System function equipment operating at less than 69 kV where there are less than three (3) separate Transmission lines running from outside of such substation to be interconnected within such substation or (B) substations that have no Transmission System function equipment that are directly used for or exclusively in support of the transmission of electricity below 69 kV. For substations that contain Transmission System function equipment (i.e., equipment operating at or above 69 kV), the dividing line between Distribution System function equipment and equipment constituting Transmission System function equipment shall be the Transmission System side of the disconnect switch (i.e., the “source-side” of the disconnect switch or “high-voltage side” side of the disconnect switch of the distribution transformer, in each case operating at 69 kV or above). Distribution-Owned Substations through which Interconnection Service is provided pursuant to this Agreement are identified on Exhibit 1.

- 1.11 Distribution Substation Facilities means any and all facilities and equipment located at a substation that are directly used for or exclusively in support of the transmission of electricity below 69 kV, including conductors, associated poles and towers, transformers, circuit breakers, protective relays, static VAR compensators, meters and related structures and control equipment. For substations that contain Transmission System function equipment (i.e., equipment operating at or above 69 kV), the dividing line between Distribution System function equipment and equipment constituting Transmission Substation Facilities shall be the Transmission System side of the disconnect switch (i.e., the “source-side” of the disconnect switch or “high-voltage side” side of the disconnect switch of the distribution transformer, in each case operating at 69 kV or above). For the avoidance of doubt, Distribution Substation Facilities do not include Transmission Assets transferred to Transmission Owner pursuant to the Separation Agreement.
- 1.12 Distribution System shall mean the equipment and facilities and the Interconnection Equipment owned by Local Distribution Company and used to deliver power and energy to end users, including transformers, switches, and feeders with an operating voltage of less than 69 kV or such other facilities as may be designated by the applicable regulatory agency. For the avoidance of doubt, the Distribution System includes Distribution Substation Facilities, and Distribution Common Use Facilities.
- 1.13 Due Diligence shall mean the exercise of good faith efforts to perform a required act on a timely basis and in accordance with Good Utility Practice using the necessary technical and personnel resources.
- 1.14 Easements shall have the meaning set forth under Section 9.2 hereof.
- 1.15 Effective Date shall be the date of the closing of the transactions contemplated under the Separation Agreement.
- 1.16 Element shall mean an element of either the Transmission System or Distribution System, as applicable, including circuits, equipment, protective relays, and support facilities.
- 1.17 Emergency means a condition or situation that, in the reasonable good faith determination of the affected Party based on Good Utility Practice, causes or is reasonably likely to cause an imminent physical threat of danger to life, threat to the integrity of each of, as applicable, the Distribution System and the Transmission System, or a significant threat to health, property or the environment.
- 1.18 Environmental Laws means all laws relating to pollution or protection of the environment, natural resources (including non-human species), or human health and safety as affected by exposure to hazardous substances, pollutants or contaminants, including laws relating to Releases or threatened Releases of hazardous substances, pollutants or contaminants (including Releases to ambient air, surface water, groundwater, land, surface and subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, Release, transport, disposal

or handling of hazardous substances, pollutants or contaminants. “Environmental Laws” include CERCLA (42 U.S.C. Sections 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. Sections 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Sections 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. Sections 1251 et seq.), the Clean Air Act (42 U.S.C. Sections 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. Sections 2601 et seq.), the Oil Pollution Act (33 U.S.C. Sections 2701 et seq.), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. Sections 11001 et seq.), the Occupational Safety and Health Act (29 U.S.C. Sections 651 et seq.), the Endangered Species Act (16 U.S.C. Sections 1531 et seq.), the Migratory Bird Treat Act (16 U.S.C. Sections 703 et seq.), the Bald and Golden Eagle Protection Act (16 U.S.C. Section 668 et seq.), and state laws analogous to any of the above.

- 1.19 ERO means the applicable Electric Reliability Organization certified by FERC, or its successor. As of the Effective Date NERC is the ERO.
- 1.20 FERC shall mean the Federal Energy Regulatory Commission or its successor federal agency.
- 1.21 FERC Standards of Conduct shall mean the standards of conduct set forth in 18 CFR §358 or its successor regulations.
- 1.22 Force Majeure shall have the meaning set forth under Section 15.2 hereof.
- 1.23 Forced Outage shall mean in the case of the Distribution System, taking the Distribution System, in whole or in part, out of service by reason of an Emergency or Network Security Condition, or other unanticipated failure, in each case when such removal from service was not scheduled in accordance with Section 3.7.2, and, in the case of the Transmission System, taking the Transmission System, in whole or in part, out of service by reason of an Emergency or Network Security Condition, or other unanticipated failure, in each case when such removal from service was not scheduled in accordance with Section 3.7.2, or when shedding distribution load to maintain Transmission System reliability pursuant to Section 2.5.
- 1.24 Good Utility Practice shall mean the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, including compliance with the Applicable Reliability Standards, or any of the practices, methods and acts that, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather includes all acceptable practices, methods, or acts generally accepted in the region.
- 1.25 Governmental Authority shall mean any foreign, federal, state, local or other governmental regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, arbitrating

- body, or other governmental authority; provided such entity possesses valid jurisdictional authority to regulate the Parties and the terms and conditions of this Agreement.
- 1.26 Interconnection Equipment shall mean all the equipment that is necessary for the interconnection of the Distribution System with the Transmission System as set forth in Exhibit 1 hereto as it may be revised from time to time.
- 1.27 Interconnection Point(s) shall mean the point(s) at which the Distribution System is connected with the Transmission System, as set forth in Exhibit 1 hereto as it may be revised from time to time.
- 1.28 Interconnection Service shall mean the services provided by Transmission Owner pursuant to this Agreement for the interconnection of the Distribution System with the Transmission System. Interconnection Service does not include the right to transmission service on the Transmission System, which service shall be obtained in accordance with the provisions of the OATT.
- 1.29 Interest Rate shall mean the interest rate calculated in accordance with the methodology specified for interest on refunds in the FERC regulations at 18 C.F.R. § 35.19a(a)(2)(iii).
- 1.30 Local Distribution Company shall have the meaning set forth in the recitals.
- 1.31 Local Distribution Company's Site Representative shall be that person or persons identified in Exhibit 2 as the point of contact for day-to-day operations of the Distribution System.
- 1.32 Material Adverse Change shall have the meaning specified in Section 22.3.1.
- 1.33 Multiple Use Transmission Structures shall have the meaning specified in Section 3.11.
- 1.34 NERC shall mean the North American Electric Reliability Corporation, or its successor.
- 1.35 Net Book Value means the original cost of property, plant and equipment reflected on the applicable asset register of the applicable Party's accounting records, reduced by accumulated depreciation applicable to the original cost of property, plant and equipment, such property, plant and equipment having been reduced by any amount(s) received by the applicable Party from any customer(s) as a contribution in aid of construction, in all cases in accordance with the FERC Uniform System of Accounts..
- 1.36 Network Security shall mean the ability of the Transmission System to withstand sudden disturbances such as unforeseen conditions, electric short circuits or unanticipated loss of Elements consistent with reliability principles used to design, plan, operate, maintain and assess the actual or projected reliability of an electric system that are (i) established by any Governmental Authority, ERO, or RRO and (ii) implemented by Transmission Owner or required of Transmission Owner to be in compliance with Reliability Coordinator directives.

- 1.37 Network Security Condition shall mean a condition or situation in which, in the reasonable good faith determination of Transmission Owner, Network Security is not satisfied or is threatened.
- 1.38 Open Access Transmission Tariff or OATT shall mean the applicable tariff on file with FERC under which transmission service is provided using the Transmission System, as it may be amended, supplemented or superseded from time to time.
- 1.39 Operating Committee shall have the meaning set forth in Section 3.12.
- 1.40 Off Peak shall mean all periods of time not classified as On Peak.
- 1.41 On Peak shall mean the period of time between Hour-ending 0700 EST through and including Hour-ending 2200 Hours EST Monday through Friday excepting New Year's, Memorial Day, Fourth of July, Labor Day, Thanksgiving Day, and Christmas Day or if the holiday occurs on a Sunday, the Monday immediately following the holiday.
- 1.42 Party and Parties shall have the meanings set forth in the recitals.
- 1.43 Person shall mean any individual, partnership, limited liability company, joint venture, corporation, trust, unincorporated organization, or governmental entity or any department or agency thereof.
- 1.44 Planned Outage shall mean action by: (i) Local Distribution Company to take its equipment, facilities or systems out of service, partially or completely, to perform work on specific components that is scheduled in advance and has a predetermined start date and an approximate duration pursuant to the procedures set forth in Section 3.7.4, or (ii) Transmission Owner to take its equipment, facilities and systems out of service, partially or completely, to perform work on specific components that is scheduled in advance and has a predetermined start date and an approximate duration pursuant to the procedures set forth in Section 3.7.2.
- 1.45 Protective Relay is a device that detects abnormal power system conditions and, in response, initiates automatic control action.
- 1.46 Protective Relay System is a group of Protective Relays and associated sensing devices and communications equipment that detects system abnormalities and performs automatic control action to mitigate or reduce adverse effects of such abnormalities.
- 1.47 Qualified Personnel shall mean individuals trained for their positions pursuant to Good Utility Practice.
- 1.48 Release shall mean spill, leak, discharge, dispose, pump, pour, emit, empty, inject, leach, dump, or allow to escape into or through the environment.
- 1.49 Reliability Coordinator shall mean the ERO-registered entity, or any successor, that provides the security assessment and emergency operations coordination for one or more

- Balancing Authority or Transmission Owners and that has operational authority over Transmission Owner under ERO standards.
- 1.50 Revenue Quality Metering System shall mean a system that includes current and voltage instrument transformers, secondary wiring, test switches, meter transducer(s), meter and loss compensation as set forth in Article 5.
- 1.51 RRO shall mean the applicable Regional Reliability Organization, or the applicable successor Regional Reliability Organization. As of the Effective Date the applicable Regional Reliability Organization is SERC.
- 1.52 RTO shall mean the currently applicable Regional Transmission Organization, or any successor, as designated by FERC.
- 1.53 RTU – Remote Terminal Unit shall mean a device connected by a communication system to one or more master computers with appropriate software placed at various locations to collect data and perform remote control. A Remote Terminal Unit may also perform intelligent autonomous control of electrical systems and report the results back to the master computer(s).
- 1.54 Separation Agreement shall have the meaning specified in the Recitals.
- 1.55 Site Representative shall be, with respect to each Party, that person or persons identified in Exhibit 2 as the point of contact of day-to-day operations of the Transmission System or Distribution System, as applicable.
- 1.56 Station Power shall be the energy needed to serve the auxiliary loads within a substation, including heating, lighting service to panels, etc. at a Distribution-Owned Substation or a Transmission-Owned Substation.
- 1.57 Supervisory Control and Data Acquisition (SCADA) shall mean a system that provides data acquisition, supervisory control and alarm display and control from remote field locations to control centers.
- 1.58 Surviving Distribution Entity shall have the meaning specified in Section 24.2.
- 1.59 Surviving Transmission Entity shall have the meaning specified in Section 24.1.
- 1.60 System means, as applicable, the Distribution System or Transmission System.
- 1.61 System Restoration Plan shall mean a plan implemented by Transmission Owner in conjunction with its interconnected generation and distribution customers, Balancing Authority, other electric systems, and Reliability Coordinator to energize portions of the Transmission System that are de-energized as a result of a widespread system disturbance.
- 1.62 Term shall have the meaning set forth in Section 22.1 hereof.

- 1.63 Transmission shall mean the movement, delivery or transfer of electric energy through interconnected lines and associated equipment at nominal voltages that are greater than or equal to 69 kV between points of supply and points at which it is transformed for delivery to customers or is delivered to other electric systems.
- 1.64 Transmission Assets shall have the meaning ascribed to such term in the Separation Agreement.
- 1.65 Transmission Business shall have the meaning ascribed to such term in the Separation Agreement.
- 1.66 Transmission Common Use Facilities means any and all structures, equipment, facilities and other Assets (other than interests in real property) that (A) are located at a Transmission-Owned Substation and (B) are used in support of both Transmission System and Distribution System functions within such substation.
- 1.67 Transmission-Owned Substations means (A) substations where there are three (3) or more separate Transmission lines running from outside of such substation that are interconnected within such substation and are used in support of both Transmission System functions and Distribution functions or (B) substations that have no Distribution System function equipment and that are directly used for or exclusively in support of the transmission of electricity at or above 69 kV. For substations that contain Distribution System function equipment (i.e., equipment operating below 69 kV), the dividing line between Distribution System function equipment and equipment constituting Transmission System function equipment shall be the Transmission System side of the disconnect switch (i.e., the “source-side” of the disconnect switch or “high-voltage side” side of the disconnect switch of the distribution transformer, in each case operating at 69 kV or above). Transmission-Owned Substations through which Interconnection Service is provided pursuant to this Agreement are identified on Exhibit 1.
- 1.68 Transmission Owner shall mean [ITC] and its successors and assigns.
- 1.69 Transmission Substation Facilities shall mean any and all facilities and equipment located at a substation that are directly used for or exclusively in support of Transmission, including conductors, associated poles and towers, transformers, circuit breakers, switches, protective relays, static VAR compensators, remote terminal units (RTUs), and related structures and control equipment. For substations that contain distribution or generation function equipment (i.e., equipment operating below 69 kV), the dividing line between distribution or generation function equipment and equipment constituting Transmission Substation Facilities shall be the Transmission System side at 69 kV or above) of the disconnect switch of the distribution, or generation step-up, or station service transformer. For the avoidance of doubt, Transmission Substation Facilities include those Transmission Assets transferred to Transmission Owner pursuant to the Separation Agreement.
- 1.70 Transmission System shall mean all facilities of Transmission Owner through which transmission services are provided under the OATT.

- 1.71 Transmission System Operations Center(s) shall mean the Transmission System control center(s) that is/are responsible for monitoring and controlling the Transmission System in real time.

Article 2. Interconnection Service, Standards and Requirements

2.1 Interconnection Service.

- 2.1.1 Continuing Service. Subject to the terms and conditions of this Agreement, Transmission Owner shall provide Interconnection Service to Local Distribution Company for each Interconnection Point identified in Exhibit 1, from the Effective Date for the Term of this Agreement.
- 2.1.2 Interconnection Points. The Interconnection Points between the Transmission System and Distribution System, including the locations thereof and all associated equipment are described and shown on Exhibit 1 hereto. The Parties shall amend Exhibit 1 to reflect additions to or modifications of any Interconnection Points or any such equipment.
- 2.1.3 Site Representatives. Exhibit 2 shall list Local Distribution Company's Site Representative and Transmission Owner's Site Representative, as may be modified from time to time by the respective Parties.

2.2 Interconnection Standards and Requirements.

- 2.2.1 Generally. The Interconnection Point(s) shall be established and maintained in accordance with Good Utility Practice, the Applicable Reliability Standards and RTO requirements applicable to the provision of Interconnection Service by Transmission Owner to Local Distribution Company.
- 2.2.2 Reactive Power.
- (i) Generally. Transmission Owner and Local Distribution Company recognize and further agree that Local Distribution Company and Transmission Owner have a mutual responsibility for maintaining voltage at each Interconnection Point, in accordance with the Applicable Reliability Standards and RTO requirements.
 - (ii) Transmission Owner. Transmission Owner is responsible for maintaining Transmission System voltage and VAR flows in accordance with the Applicable Reliability Standards and RTO reactive power requirements.
 - (iii) Local Distribution Company. Local Distribution Company is responsible for controlling Distribution System voltage and VAR flows in accordance with the Applicable Reliability Standards and RTO requirements. Local Distribution Company shall maintain a system average power factor of (A) 0.97 leading to 0.97 lagging for On-Peak hours and (B) 0.95 leading to 0.95 lagging for Off-Peak hours.

2.3 Operating Requirements and/or Switching and Tagging Procedures.

2.3.1 Generally. Each Party shall comply with its own operating requirements and/or switching procedures when operating their respective substation facilities.

2.3.2 Local Distribution Company Facilities. Local Distribution Company shall comply with its own operating requirements and/or switching procedures when operating Distribution System facilities pursuant to this Agreement. Such operating requirements and switching procedures shall be consistent with Good Utility Practice and are set forth in Exhibit 3. Local Distribution Company shall respect the Transmission Owner operating requirements and/or switching procedures when performing work within Distribution Common Use Facilities and Transmission Common Use Facilities, or as may otherwise be applicable. Local Distribution Company shall verbally notify Transmission Owner if Local Distribution Company is unable to comply with this Section at any time during the Term of this Agreement. If the failure to comply is due to Transmission Owner's actions or inactions, Local Distribution Company will verbally notify Transmission Owner of such actions or inactions and Local Distribution Company shall use commercially reasonable efforts to correct such condition as soon as possible.

2.3.3 Transmission Owner Facilities. Transmission Owner shall comply with its own operating requirements and/or switching procedures when operating Transmission System facilities pursuant to this Agreement. Such operating requirements and switching procedures shall be consistent with Good Utility Practice and are set forth in Exhibit 4. Transmission Owner shall respect the Local Distribution Company operating requirements and/or switching procedures when performing work within Distribution Common Use Facilities and Transmission Common Use Facilities, or as may otherwise be applicable. Transmission Owner shall verbally notify Local Distribution Company if Transmission Owner is unable to comply with this Section at any time during the Term of this Agreement. If the failure to comply is due to Local Distribution Company's actions or inactions, Transmission Owner will verbally notify Local Distribution Company of such actions or inactions and Local Distribution Company shall use commercially reasonable efforts to correct such condition as soon as possible.

2.3.4 Review Procedures. The Operating Committee shall meet at least annually to review both Parties' operating requirements and switching procedures set forth in Exhibits 3 and 4 and adopt any mutually agreed amendments to Exhibits 3 and 4 in accordance with the requirements of Section 23.2.

2.4 Compliance with Transmission Owner/Reliability Coordinator Directives. Local Distribution Company shall be required to comply in all respects with the real time operating requests, orders, directives and requirements of Transmission Owner including those issued to implement directives of the Reliability Coordinator. Any such requests, orders, directives or requirements of Transmission Owner or the Reliability Coordinator must be: (a) issued pursuant to Good Utility Practice, (b) not unduly discriminatory, (c)

otherwise in accordance with applicable tariffs or applicable federal, state or local laws, and (d) reasonably necessary to maintain the integrity of the Transmission System.

2.5 Load Shedding.

2.5.1 Local Distribution Company Obligations.

- (i) Under Frequency Requirements. Local Distribution Company shall own, operate and maintain an automatic under-frequency load shedding program and associated equipment as required to maintain compliance with the Applicable Reliability Standards.
- (ii) Under Voltage Requirements. At the request of the Transmission Owner, Local Distribution Company shall install and/or maintain under-voltage load shedding equipment as required to maintain on-going compliance with the Applicable Reliability Standards. The equipment selection and location shall be determined by mutual agreement of the Parties.
- (iii) Obligation to Shed Load. If directed to do so by the Reliability Coordinator, Balancing Authority, or Transmission Owner, Local Distribution Company shall shed load to maintain the reliability and integrity of the Transmission System; *provided* that the Reliability Coordinator or Transmission Owner shall make load-shedding determinations on an equitable, non-discriminatory basis with respect to all loads interconnected with the Transmission System whose interruption is necessary to permit safe and reliable operation and maintenance of the Transmission System; *provided, further*, that if the Local Distribution Company does not respond to the load shed notice in a timely manner the Transmission Owner shall have the right to shed the required load at the Transmission level in order to maintain Transmission System stability and security.

2.5.2 Transmission Owner Obligations. Transmission Owner shall not be required to own, install, operate or maintain under frequency load shedding program or associated equipment on the Transmission System.

2.6 Not a Reservation for Transmission Service. Local Distribution Company and Transmission Owner make no guarantees to each other under this Agreement with respect to the availability of transmission service under the OATT or any other tariff under which transmission service may be available in the region. Nothing in this Agreement shall constitute an express or implied representation or warranty with respect to the current or future availability of transmission service.

2.7 Balancing Authority Agreements. Local Distribution Company, or its agent, shall have and maintain an appropriate agreement with each Balancing Authority with responsibility for the load served via an Interconnection Point, under which such Balancing Authority shall perform balancing of such load with generation. Local Distribution Company shall provide a copy of each such agreement to Transmission Owner.

Article 3. Operation and Maintenance

3.1 Obligation to Coordinate Operations.

3.1.1 Synchronous Operations. The Parties agree to coordinate the operation of their respective Systems at the Interconnection Points in compliance with Good Utility Practice and otherwise in accordance with the terms of this Agreement so as to prevent or minimize detrimental impacts on either Party's system, including the degradation of voltage on either System or of the provision of Interconnection Service hereunder. The Parties agree to operate their respective Systems in synchronism at the Interconnection Points that are operated closed.

3.2 Operational Obligations Generally. Each Party shall operate any equipment that might reasonably be expected to have an impact on the operations of the other Party in a safe and efficient manner and in accordance with all applicable federal, state, and local law, operating practices, Applicable Reliability Standards, and Good Utility Practice, and otherwise in accordance with the terms of this Agreement. Each Party shall comply with such reasonable operating requests, orders, directives and requirements of the other Party as are authorized under this Agreement.

3.3 Allocation of Costs Generally.

3.3.1 Local Distribution Company. Except as otherwise expressly provided hereunder, Local Distribution Company shall be responsible for the costs of maintaining, operating, repairing or replacing the Distribution System, including Local Distribution Company's Interconnection Equipment, Distribution Substation Facilities, and Distribution Common Use Facilities.

3.3.2 Transmission Owner. Except as otherwise expressly provided hereunder, Transmission Owner shall be responsible for the costs of maintaining, operating, repairing or replacing the Transmission System, including Transmission Owner's Interconnection Equipment, Transmission Substation Facilities and Transmission Common Use Facilities.

3.4 Operation of System Elements.

3.4.1 Local Distribution Company. Except during an Emergency or at the specific request of the Transmission Owner, Local Distribution Company shall not, without prior Transmission Owner authorization, operate any Transmission System Element including any circuits or related transformers, lines or busses. Local Distribution Company shall retain the right to operate such Elements during an Emergency to address an imminent threat to the safety of personnel or to prevent damage to equipment and to maintain the integrity of the Distribution System; *provided* that Transmission System Elements may not be re-energized by Local Distribution Company using the emergency authority provided under this section. When practical, prior to operation of such Elements, Local Distribution Company shall provide immediate notice to Transmission Owner and Balancing Authority. When not deemed practical, such notification should immediately

occur upon completion of the emergency action. Local Distribution Company shall not operate any such Elements if upon notice Transmission Owner expressly refuses to grant permission to Local Distribution Company. Within five (5) business days of such Emergency, Local Distribution Company shall provide written explanation of such Emergency to Transmission Owner.

- 3.4.2 Transmission Owner. Except during an Emergency, Transmission Owner shall not, without prior Local Distribution Company authorization, operate any Local Distribution Company Element including any circuits or related transformers, lines or busses. Transmission Owner shall retain the right to operate such Elements during an Emergency to address an imminent threat to the safety of personnel or to prevent damage to equipment and to maintain the integrity of the Transmission System; *provided* that Distribution System Elements may not be re-energized by Transmission Owner using the emergency authority provided under this section. When practical, prior to operation of such Elements, Transmission Owner shall provide immediate notice to Local Distribution Company and Balancing Authority. When not deemed practical, such notification should immediately occur upon completion of the Emergency action. Transmission Owner shall not operate any such Elements if upon notice Local Distribution Company expressly refuses to grant permission to Transmission Owner. Within five (5) business days of such Emergency, Transmission Owner shall provide written explanation of such Emergency to Local Distribution Company.
- 3.5 Protective Relaying Equipment. Local Distribution Company and Transmission Owner shall each design, install, test, calibrate, set, and maintain their respective Protective Relay equipment in accordance with Good Utility Practice, applicable federal, state or local laws, Applicable Reliability Standards, Reliability Coordinator and RTO requirements and this Agreement, as set forth in Article 6 hereof.
- 3.6 Equipment Failures; Performance Errors; Corrective Actions.
- 3.6.1 Local Distribution Company. If Transmission Owner reasonably determines that (i) any of Local Distribution Company's Interconnection Equipment fails to perform in a manner consistent with Good Utility Practice and the Applicable Reliability Standards, Reliability Coordinator and RTO requirements or this Agreement, or (ii) Local Distribution Company has failed to perform proper testing or maintenance of its Interconnection Equipment in accordance with Good Utility Practice or this Agreement, Transmission Owner shall give Local Distribution Company written notice to take corrective action. Such written notice shall be provided by Transmission Owner to Local Distribution Company's Site Representative as soon as practicable upon such determination. If Local Distribution Company fails to initiate corrective action promptly and in any event within seven (7) business days after the delivery of such notification, and if in Transmission Owner's reasonable judgment leaving Local Distribution Company's Distribution System connected with Transmission System would create an Emergency or Network Security Condition, Transmission Owner may, with as much prior verbal notification to Local Distribution Company and

Balancing Authority as practicable, open only the Interconnection Point(s) needing corrective action connecting Local Distribution Company and Transmission Owner until appropriate corrective actions have been completed by Local Distribution Company, as verified by Transmission Owner. Transmission Owner's judgment with regard to an interruption of Interconnection Service under this Section 3.6.1 shall be made pursuant to Good Utility Practice and subject to Section 3.1.1 hereof. In the case of such interruption, Transmission Owner shall immediately confer with Local Distribution Company regarding the conditions causing such interruption and Local Distribution Company's recommendation concerning timely correction thereof. Both Parties shall act promptly to correct the condition leading to such interruption and to restore the connection and Interconnection Service.

- 3.6.2 Transmission Owner. If Local Distribution Company reasonably determines that (i) any of Transmission Owner's Interconnection Equipment fails to perform in a manner consistent with Good Utility Practice and the Applicable Reliability Standards, Reliability Coordinator and RTO requirements or this Agreement, or (ii) Transmission Owner has failed to perform proper testing or maintenance of its Interconnection Equipment in accordance with Good Utility Practice or this Agreement, Local Distribution Company shall give Transmission Owner written notice to take corrective action. Such written notice shall be provided by Local Distribution Company to Transmission Owner's Site Representative as soon as practicable upon such determination. If Transmission Owner fails to initiate corrective action promptly and in any event within seven (7) business days after the delivery of such notification, and if in Local Distribution Company's reasonable judgment leaving Transmission System connected with Local Distribution Company's Distribution System would create an Emergency, Local Distribution Company may, with as much prior verbal notification to Transmission Owner and Balancing Authority as practicable, open only the Interconnection Point(s) needing corrective action connecting Transmission Owner and Local Distribution Company until appropriate corrective actions have been completed by Transmission Owner, as verified by Local Distribution Company. Local Distribution Company's judgment with regard to an interruption of service under this Section 3.6.2 shall be made pursuant to Good Utility Practice and subject to Section 3.1.1 hereof. In the case of such interruption, Local Distribution Company shall immediately confer with Transmission Owner regarding the conditions causing such interruption and Transmission Owner's recommendation concerning timely correction thereof. Both Parties shall act promptly to correct the condition leading to such interruption and to restore the connection and Interconnection Service.

3.7 Outages.

- 3.7.1 Outage Authority and Coordination. In accordance with Good Utility Practice, Applicable Reliability Standards, Reliability Coordinator and RTO requirements, each Party may, in close cooperation with the other, remove from service its System Elements that may impact the other Party's System as necessary to

perform maintenance or testing or to replace installed equipment. Absent an Emergency, the Party scheduling a removal of such an Element from service will use good faith efforts to schedule such removal on a date mutually acceptable to both Parties, in accordance with Good Utility Practice. The Parties shall comply with RTO requirements relating to notification requirements for scheduled outages.

- 3.7.2 Scheduling. The Parties shall coordinate inspections, Planned Outages, and maintenance of their respective equipment, facilities and Systems so as to minimize the impact on the availability, reliability and security of both Parties' Systems and operations when any such outage is likely to have a materially adverse impact on the other Party's System. With respect to such outages that are likely to have a materially adverse impact on the other Party's System, and subject to the confidentiality provisions of Article 20 and FERC's Standard of Conduct, on or before November 1 of each year during the Term hereof, the Parties shall exchange non-binding contingent Planned Outage schedules, which shall be developed and followed in accordance with Good Utility Practice, for the following one-year period for the each System. The Parties shall keep each other updated regarding any changes to such schedules. Each Party shall use commercially reasonable efforts to minimize the costs of any cancellation or rescheduling of a Planned Outage that affects the other Party's System.

3.7.3 Forced Outage.

- (i) Generally. In the event of a Forced Outage of an Element of the Distribution System adversely affecting the Transmission System, Local Distribution Company will use Good Utility Practice to restore that Element to service promptly. In the event of a Forced Outage of an Element of the Transmission System adversely affecting the Distribution System, Transmission Owner will use Good Utility Practice to restore that Element to service promptly.
- (ii) Notices. In the Event of a Forced Outage on a Party's System that may impact the other Party's System, the affected Party shall provide prompt notice to the other Party and the controlling Balancing Authority describing: (A) the nature and extent of the Forced Outage and (B) corrective action being taken and expected duration. Notice shall also be given when the corrective action is complete.
- (iii) Summary Report. Upon request by the other Party, the Party that caused the Forced Outage adversely impacting the other Party will provide a summary report to the applicable Site Representative within seven (7) business days of the event.

- (iv) Assessments. The Operating Committee will meet no less than annually to discuss Forced Outage rates and improvement opportunity.
- 3.7.4 Planned Outage. In the event of a Planned Outage of an Element of the Distribution System adversely affecting the Transmission System, Local Distribution Company will act in accordance with Good Utility Practice to restore that Element to service promptly in accordance with its schedule for the work that necessitated the Planned Outage. In the event of a Planned Outage of an Element of the Transmission System adversely affecting the Distribution System, Transmission Owner will act in accordance with Good Utility Practice to restore that Element to service promptly in accordance with its schedule for the work that necessitated the Planned Outage.
- 3.7.5 Operations During Outages. The Parties shall use commercially reasonable efforts consistent with Good Utility Practice to coordinate operations in the event of any Forced Outage or Planned Outage.
- 3.8 System Restoration Plan Participation. In accordance with Good Utility Practice, Local Distribution Company agrees to participate in Transmission Owner's System Restoration Plan for the Distribution System and the Transmission System. In accordance with Good Utility Practice, Transmission Owner agrees to participate in Local Distribution Company's System Restoration Plan for the Distribution System and the Transmission System.
- 3.9 Common Use Facilities.
 - 3.9.1 Responsibility for Operations, Maintenance. Transmission Owner shall be responsible for the operation and maintenance of Transmission Substation Facilities, including the Transmission Common Use Facilities, and for all costs associated with such operation and maintenance. Local Distribution Company shall be responsible for the operation and maintenance of the Distribution Substation Facilities, including the Distribution Common Use Facilities, and for all costs associated with such operation and maintenance.
 - 3.9.2 Periodic Reviews. At least once each year, the Operating Committee shall meet and review the Parties' respective operational and maintenance responsibilities with respect to the Transmission Common Use Facilities and the Distribution Common Use Facilities and, if necessary, alter such responsibilities as the Parties deem appropriate; *provided* that nothing hereunder shall be interpreted to empower the Operating Committee to obligate either Party to incur costs with respect to Common Use Facilities owned by the other Party.
 - 3.9.3 Ownership; Operational Standards. Transmission Common Use Facilities are located at Transmission-Owned Substations and are owned by the Transmission Owner. Distribution Common Use Facilities are located at Distribution-Owned Substations and are owned by the Local Distribution Company. Each Party shall

operate and maintain their respective Common Use Facilities in accordance with Good Utility Practice and all applicable provisions of this Agreement.

- 3.9.4 Maintenance of Common Use Facilities. Notwithstanding its obligation to comply with Good Utility Practice and all applicable provisions of this Agreement, the Transmission Owner with respect to Transmission-Owned Substations, and Local Distribution Company with respect to Distribution-Owned Substations, shall each perform the following maintenance activities with respect to their respective Common Use Facilities at each such substation: (i) maintain the integrity of the perimeter fencing, including code-required signage; (ii) maintain the functionality of yard lighting; (iii) keep the control house secure and take reasonable efforts to control rodents therein; (iv) perform periodic cleaning of the control house in order to minimize equipment damage due to dirt and grit; (v) weatherize control house(s) in the spring and fall in order to maintain proper ventilation and adequate heat and avoid a negative impact on the serviceability of equipment; (vi) weed treat the substation yard stone areas annually, maintain adequate stone where established, and provide routine grass cutting to maintain reliability and safety; (vii) maintain station grounding systems to keep step and touch potentials at safe levels; and (viii) keep station access drives in drivable condition and free of extraneous debris, animals and wildlife so as to maintain a path to the control house(s) and around the perimeter of the equipment where possible.
- 3.9.5 Battery Maintenance. In substations containing Common Use Facilities, the owner of the substation shall develop and implement a maintenance and testing plan that meets or exceeds all applicable battery maintenance requirements as specified by the Applicable Reliability Standards. A copy of such plan, test reports and related records shall be provided to the Operating Committee and the other Party for review. Subject to the confidentiality provisions of Article 20, upon the request of the other Party pursuant to a request from the ERO or RRO, the owner of the affected Common Use Facilities shall also provide a copy of such plans, test reports and related records to the ERO or RRO.
- 3.9.6 Other Compliance Requirements. To the extent that the ERO or RRO has other requirements applicable to the operation, maintenance and testing of a Common Use Facility, the owner of the Common Use Facility shall develop and implement a maintenance and testing plan that meets or exceeds all such applicable ERO or RRO requirements. A copy of such plan, test reports and related records shall be provided to the Operating Committee and the other Party for review. Subject to the Confidentiality provisions of Article 20, upon the request of the other Party pursuant to a request from the ERO or RRO, the owner of the affected Common Use Facility shall also provide a copy of such plans, test reports and related records to the ERO or RRO.
- 3.10 Station Power. The Parties agree that (i) Local Distribution Company's system losses include the Station Power supplied by Local Distribution Company to the Transmission Substation Facilities, and accordingly that (ii) Local Distribution Company shall supply

Station Power to the Transmission Substation Facilities at no cost to Transmission Owner; *provided* that Local Distribution Company shall only be obligated to provide such Station Power in a manner generally consistent in scope, nature and amount with the usage of Station Power by such Transmission Substation Facilities as of the Separation Date. The Transmission Owner may request, from the Local Distribution Company or appropriate service provider, additional Station Power sources to the Transmission Substation Facilities, or to new transmission substation(s); *provided* that the provision of such additional Station Power sources shall be subject to the terms and rates of the Local Distribution Company's, or appropriate service provider's, applicable tariff for such service.

3.11 Multiple Use Transmission Structures. The Parties acknowledge and understand that the Transmission System includes certain transmission structures with both transmission and distribution lines attached thereto ("Multiple Use Transmission Structures"). With regard to the operation and maintenance of such Multiple Use Transmission Structures, the Parties agree that:

- 3.11.1 Subject to Sections 3.11.2 and 3.11.3 and applicable safety codes, Transmission Owner shall allow Local Distribution Company to maintain without charge attachments of those distribution lines existing as of the Effective Date to the Multiple Use Transmission Structures.
- 3.11.2 For facilities that have been designed as Multiple Use Transmission Structures prior to the Effective Date and can accommodate attachment of distribution lines, there shall be no charge by Transmission Owner for attachments.
- 3.11.3 Transmission Owner shall be responsible for the costs associated with maintaining, relocating, upgrading or implementing other changes to the transmission structures designated as Multiple Use Transmission Structures; *provided, however*, that Local Distribution Company shall be responsible for all costs associated with the distribution lines attached to such Multiple Use Transmission Structures, including costs associated with maintaining, relocating, upgrading or implementing other changes to such distribution lines.
- 3.11.4 Transmission Owner shall provide Local Distribution Company with commercially reasonable advance notice of any planned change to Multiple Use Transmission Structures that may require Local Distribution Company to relocate or otherwise change its distribution lines attached thereto. If it is necessary under generally accepted utility practice for the Local Distribution Company's distribution lines to be removed from Multiple Use Transmission Structures then the Transmission Owner shall allow Local Distribution Company's distribution lines to remain attached to the Multiple Use Transmission Structures for a commercially reasonable period in order to allow Local Distribution Company to develop a suitable alternative for its distribution lines; *provided, however*, that such interim use of Multiple Use Transmission Structures by Local Distribution Company shall neither impair the provision of non-discriminatory, open access transmission service over the Transmission System nor interfere with any planned

additions or upgrades to such facilities proposed by Transmission Owner or directed by the RTO, FERC or any other Governmental Authority with jurisdiction to require such addition or expansion to the Transmission System. Local Distribution Company shall act in good faith and exercise Due Diligence in developing and implementing a suitable alternative for its distribution lines.

- 3.12 Operating Committee. The Parties shall establish an operating committee (“Operating Committee”), which in addition to the duties granted it elsewhere in this Agreement shall develop specific guidelines, methods and procedures with respect to coordinated interconnection operation and maintenance of the Distribution System and the Transmission System covering at a minimum the following areas: safety, voltage control, outage planning and implementation, service restoration, emergency operation procedures, frequency controls, environmental matters, ERO and RRO compliance matters, and maintenance planning and execution. Each Party shall designate two (2) members to serve on the Operating Committee. The Operating Committee shall meet not less than annually and shall establish its own operating rules and practices.

Article 4. Supervisory Control and Data Acquisition (SCADA)

4.1 SCADA and Communications Equipment.

4.1.1 Existing Equipment. Interconnection Points containing SCADA and communications equipment along with communication paths with current routing diversity installed prior to the Effective Date shall be considered to satisfy the terms and conditions of this Article 4 and shall be maintained with no less than the current functionality unless otherwise agreed by the Parties.

4.1.2 Obligation to Install.

- (i) Distribution-Owned Substations. Local Distribution Company shall install and operate at its own cost such SCADA and communications equipment as is necessary and consistent with Good Utility Practice, and Applicable Reliability Standards for Transmission Owner to perform monitoring, control, state estimation and contingency analysis at each Distribution-Owned Substation subject to this Agreement for (i) Interconnection Points that existed prior to the Effective Date and did not contain SCADA and communications equipment or (ii) new Interconnection Points installed after the Effective Date.
- (ii) Transmission-Owned Substations. Transmission Owner shall install and operate at its own cost such SCADA and communications equipment as is necessary and consistent with Good Utility Practice, and Applicable Reliability Standards for Transmission Owner to perform monitoring, control, state estimation and contingency analysis at each Transmission-Owned Substation subject to this Agreement for (i) Interconnection Points that existed prior to the Effective Date and did not contain SCADA and

communications equipment or (ii) new Interconnection Points installed after the Effective Date.

4.1.3 Communication Paths and Equipment.

- (i) Generally. Each Interconnection Point or other mutually agreeable location with SCADA and communications equipment shall have one dedicated communications path to Balancing Authority's control center for the RTU data. Additional data paths and communications equipment requested, either emanating from the substation or the Balancing Authority's control center, will be at the expense of the Party requesting the additional communication path(s). The SCADA and communications equipment may provide data and status information in real time or with a time delay acceptable to each of Transmission Owner, and in accordance with Applicable Reliability Standards, Reliability Coordinator and RTO, requirements, as applicable, and shall provide data and control via an industry standard protocol such as "ICCP" or another method agreed by the Parties. Such data may include, but not be limited to megawatts, megavars, voltage, amperes, device status and communication system status.
- (ii) SCADA Common Use Facilities. With respect to SCADA Common Use Facilities, the owning Party shall provide the other Party with opportunity to access such SCADA functionality consistent with Good Utility Practice for control, status/alarm indication, and data that may include, but not be limited to megawatts, megavars, voltage, amperes, device status and communication system status.

4.1.4 Loss of Remote Communications. Loss of remote communications, data access or controls via SCADA will be responded to and restored in a manner reflecting urgency commensurate to a critical customer outage.

4.2 Dual Port RTUs. Transmission Owner reserves the right (at Transmission Owner's expense) to require Local Distribution Company to install or cause to be installed at any new or modified Interconnection Point a dual port RTU within a Distribution-Owned Substation to provide data and control directly to the Transmission Owner. Local Distribution Company will assist in furnishing desired inputs and outputs for such RTU.

4.3 Measured Values; Inputs; Performance Criteria.

4.3.1 Measured Values. The operating metering system shall consist of instantaneous values of MW, MVAR, voltage and current (amperes). Amperes may be measured directly or calculated based on measured values.

4.3.2 Communications Inputs. Values shall be inputted to a Remote Terminal Unit (RTU) or comparable communication device for communication with the Balancing Authority.

- 4.3.3 Transducer Performance Criteria. Transducers may utilize the voltage transformers and current transformer secondary circuits also utilized by the revenue metering equipment for a particular interconnection. In such case, the performance criteria listed in Exhibit 8 hereto for the voltage transformers and the current transformers shall apply. Relaying class voltage transformers and current transformers are not to be utilized unless mutually agreed by all the owners of the metering equipment and the Balancing Authority.
- 4.3.4 Transducer Accuracy. Transducers shall have a range of accuracy of plus or minus one percent (1%). Transducers shall be field calibrated at least once every ten (10) years, or as necessary, and documentation shall be retained showing the calibration results until three (3) years after the last calibration. The Transmission Owner and Local Distribution Company agree that, as to all Interconnection Points in existence as of the Effective Date, no new or different equipment shall be installed to meet the requirements of this section.
- 4.4 Installation of New Equipment. Unless otherwise agreed to by the Parties, to the extent new SCADA and associated communications equipment is to be installed, the Party owning the affected substation shall install or facilitate installation of SCADA and associated communications equipment at its own cost as soon as practicable, *provided* that such installation shall be accomplished within a time period of no more than one hundred eighty (180) days following notice by the requesting Party to the other Party of the planned installation or, if such installation is being made in conjunction with the installation of new Interconnection Points, prior to installation of any such Interconnection Points.
- 4.5 Change in Regulations. With respect to SCADA and associated communications equipment, including communication paths with current routing diversity that are in existence as of the date of this Agreement, the Parties acknowledge that Transmission Owner may be subjected to changing Applicable Reliability Standards that render such existing SCADA and associated communications equipment non-compliant with such regulations. The Party owning such existing SCADA and associated communications equipment affected by any such changes in regulations shall respond in accordance with Good Utility Practice to assure compliance for such SCADA and associated communications equipment.

Article 5. Revenue Metering

- 5.1 Ownership. Local Distribution Company shall own, operate, test and maintain or contract for the metering equipment at the Interconnection Points with Transmission Owner, as required by this Article 5. Transmission Owner and Local Distribution Company agree that, as to all Interconnection Points in existence as of the Effective Date, no new or different metering equipment or arrangements shall be required. For existing Interconnection Points where low-side metering exists without loss compensation, Parties will agree to loss compensation factors. To the extent existing metering equipment is replaced or new metering equipment is installed at Interconnection Points in existence as of the Effective Date, such replacements or installations shall meet the standards set in

Section 5.2. Local Distribution Company shall install metering equipment that meets the standards set forth in Section 5.2 at all new Interconnection Points.

5.2 Metering Standards. The Revenue Quality Metering System shall consist of all instrument transformers (current and voltage), secondary wiring, test switches and meter(s) required to determine the metering values for record for any given metering point.

5.2.1 Wire System Outputs.

- (i) Metering shall be form 9, 3-element for 4-wire systems and form 5, 2-element for 3-wire systems.
- (ii) In substations where an RTU or other remote data collecting and telecommunication device is present, meters shall have form C, 3-wire outputs with programmable values determined by Local Distribution Company for bi-directional MWHs and MVARs. Such form C, 3-wire outputs shall be connected to an isolation relay before connecting to the RTU. Alternatively, real time SCADA (Watts, Vars, Voltage, PF, Current, Frequency, etc.) and equivalent pulse accumulator values may be electronically ported from the revenue meter to the station RTU when technically feasible and upon agreement of the Parties.

5.2.2 Bi-directional. Meters shall measure, at a minimum, megawatt hours and megavar hours and have bi-directional capability, where applicable. All measured values shall have individual outputs, (such as DNP and KYZ), where applicable and a minimum 35-day interval data recording capability for each measured value.

5.2.3 Loss Compensation. Revenue-quality loss-compensated metering shall be acceptable if the metering facilities and the Interconnection Point are not at the same physical location. The metering shall account for real power losses between the location of the meter and the Interconnection Point and no-load losses of the power transformer. Real power losses between the location of the meter and the Interconnection Point must be agreed upon by both parties. The meter data management system for determining such losses shall be MV-90 or an equivalent meter data management system.

5.2.4 Records Retention.

- (i) The Party that owns the metering equipment shall maintain records that demonstrate compliance with all meter tests and maintenance conducted in accordance with Good Utility Practice for the life of the Interconnection Point. The non-owning Party shall have reasonable access to the records.
- (ii) For installations where the metering is performed using loss compensation, the factory certified test results of the power transformer, including load, no-load losses and calculated meter loss calculations, shall

be recorded in writing. The non-owning Party shall have reasonable access to the records. If factory certified test results, including load and no-load losses are not available, then both parties shall endeavor to agree on the loss compensation value.

- (iii) Records showing metering instrument transformers' factory certified or utility test shop test results showing compliance with applicable metering test standards shall be maintained by the meter owner. The non-owning Party shall have reasonable access to the records. Metering transformers must be at least 0.3% accuracy class.
- (iv) A meter's factory certified or utility test result, showing compliance with applicable metering test standards, shall be maintained by the meter owner. The non-owning Party shall have reasonable access to the records.

5.3 Testing.

- 5.3.1 Periodicity; Costs. Metering equipment shall be tested by the Party owning said equipment at suitable intervals agreed upon by the Parties. Such test intervals shall not exceed four (4) years. The meters' accuracy shall be maintained at a minimum in accordance with applicable regulatory standards. At the request of either Party, special tests, outside the agreed upon test interval, shall be made. If any special meter test discloses the metering device to be registering within acceptable limits of accuracy as specified herein, then the Party requesting such special meter test shall bear the expense thereof. Otherwise, the expense of such test shall be borne by the owner. Representatives of each Party shall be afforded opportunity to be present at all routine or special tests and upon occasions when any readings for purposes of settlements hereunder are taken from meters not producing an automatic record.
- 5.3.2 Corrections. If, as a result of any test, any meter shall be found to be registering more than one percent (1%) above or below one hundred percent (100%) of accuracy, the account between the Parties hereto shall be corrected, for a period equal to one-half of the elapsed time since the last prior test, according to the percentage of inaccuracy so found, except that if the meter shall have become defective or inaccurate at a reasonably ascertainable time since the last prior test of such meter, the correction shall extend back to such time. No meter shall be left in service if found to be more than 0.5 percent above or below one hundred percent (100%) of accuracy at series full and light load, unity power factor. Should metering equipment at any time fail to register, the energy delivered shall be determined from the best available data. All meters shall be kept under seal, such seals to be broken only when the meters are to be tested or adjusted.
- 5.3.3 Test Switches. Test switches shall be installed to allow independent testing and/or replacement of each meter and transducer utilizing the secondary circuit. No other piece of equipment shall be in the revenue metering secondary circuit.

- 5.4 Resales. In substations subject to this Agreement where electrical energy is resold to another local distribution company other than Local Distribution Company, Local Distribution Company will provide to Transmission Owner without cost in accordance with applicable federal and RTO requirements metering data that is related to such resale.
- 5.5 Repairs; Replacements. In the event of an interconnection meter needing replacement or repair, a representative from the non-owning Party shall be given a reasonable opportunity to be present during such repair or replacement.
- 5.6 Reading. Transmission Owner shall have the right to read the revenue meters remotely, and in a secure manner, as reasonably necessary to facilitate billing and calculation and verification of revenues.

Article 6. Protective Relaying and Control

- 6.1 Right to Review and Approve New Protective Relaying Equipment. Each Party shall have the right, using Good Utility Practice, to review and approve all new Protective Relaying logic equipment, including equipment settings, protective relay schemes, drawings, and functionality associated with each Interconnection Point. Review shall be timely and approval shall not be unreasonably withheld. Protective Relaying logic equipment and schemes installed before the Effective Date shall be considered to satisfy the terms and conditions of this Article 6. When existing equipment or schemes installed prior to the Effective Date are replaced or when new equipment or schemes are installed pursuant to this Article 6 or in association with new Interconnection Points, then such replacement or installation shall be performed in accordance with the terms and conditions of this Article 6.
- 6.2 Distribution System Fault Contributions. To the extent that there is generation on the Distribution System that, in the reasonable judgment of either Party, may contribute material amounts of current to a fault on the Transmission System, Local Distribution Company shall have and enforce standards to ensure the provision, installation and maintenance of relays, circuit breakers, and all other devices necessary to remove promptly any fault contribution of such generation to any short circuit occurring on the Transmission System and not otherwise isolated by the Transmission Owner equipment. Such protective equipment shall include, a disconnecting device or switch with load interrupting capability to be located between the generation and the Transmission System at an accessible, secure, and satisfactory site selected upon mutual agreement of the Parties. Transmission Owner shall not be responsible for protection of such generation.
- 6.3 Operation, Maintenance and Testing of Protective Relay System.
 - 6.3.1 Generally. Any Protective Relay System that causes any Transmission Owner protective device or Local Distribution Company protective or switching device connected to a Transmission Owner bus to operate shall be maintained and tested in accordance with the provisions of this Article 6.
 - 6.3.2 Ownership, Records Access. Transmission Owner shall, in accordance with Good Utility Practice, own, operate, maintain and test those Protective Relays,

relaying communications systems, current transformers, battery banks and potential transformers that constitute Transmission Substation Facilities. Local Distribution Company shall, in accordance with Good Utility Practice, own, operate, maintain, and test those Protective Relays, current transformers, battery banks and potential transformers that constitute Distribution Substation Facilities. The Parties shall maintain, and, as necessary, upgrade their respective Protective Relay Systems in accordance with Good Utility Practice, and each Party shall provide the other Party with access to copies of operation and maintenance manuals and test records for all relay equipment.

- 6.3.3 Testing. The Parties shall test their respective Protective Relays associated with the Interconnection Points for correct calibration and operation in accordance with Good Utility Practice. Complete functional testing of the relay protection schemes shall be performed at the same time. Parties shall coordinate design, installation, operation, and testing of Protective Relay schemes to insure that such relays operate in a coordinated manner so as to not cause adverse operating conditions on the other Party's system.
- 6.4 Protective Relay Maintenance. Each Party shall be responsible for maintenance, calibration and functional testing of its respective Protective Relay systems in accordance with Good Utility Practice and otherwise applicable terms of this Agreement. All such maintenance and testing must be performed by Qualified Personnel selected by the Party responsible for performing the activity. In addition, each Party shall allow the other Party to conduct regularly scheduled, visual inspection of all its Protective Relay systems and associated maintenance records. Related maintenance and operational records shall be maintained by each Party with respect to its Protective Relaying in accordance with Good Utility Practice. Upon completion of all Protective Relay calibration testing and functional testing, the Party performing such testing shall make available copies of all test reports and related records for review by the Party not performing the testing. Local Distribution Company shall review and confirm that all test reports and documentation supporting that Protective Relay System's tests and settings, as shown on such test reports, have been done in accordance with the equipment's specifications and Good Utility Practice.
- 6.5 Updated System Protection Requirements.
- 6.5.1 Transmission Owner. As Transmission Owner's System protection requirements change and as System protection technology advances, Transmission Owner will upgrade its Protective Relay system in accordance with Good Utility Practice. If these upgrades affect the serviceability and acceptability of the Protective Relay Systems on the Interconnection Equipment installed, owned, and operated by Local Distribution Company, Local Distribution Company must (at its own expense) upgrade its Protective Relay systems as necessary to bring them into compatibility with, and adopt the technological standards of, the Protective Relay Systems installed by Transmission Owner. Transmission Owner shall give Local Distribution Company notice of any such upgrade as soon as practicable prior to the anticipated date of such upgrade.

6.5.2 Local Distribution Company. As Local Distribution Company's System protection requirements change and as technology advances, Local Distribution Company will upgrade its Protective Relay System in accordance with Good Utility Practice. If these upgrades affect the serviceability and acceptability of the Protective Relay Systems on the Interconnection Equipment installed, owned, and operated by Transmission Owner, Transmission Owner must (at its own expense) upgrade its Protective Relay Systems as necessary to bring them into compatibility with, and adopt the technological standards of, the Protective Relay Systems installed by Local Distribution Company. Local Distribution Company shall give Transmission Owner notice of any such upgrade as soon as practicable prior to the anticipated date of such upgrade.

6.5.3 Documentation Updates. Exhibit 1 shall be updated by the Parties to reflect any changes in Protective Relay Systems as they are made.

6.6 Expansion of Relay Panels.

6.6.1 Distribution-Owned Substations. Local Distribution Company shall provide the necessary space to install or expand relay panels for Transmission System protection if requested by Transmission Owner. Any incremental costs required to accommodate such a request shall be the responsibility of Transmission Owner.

6.6.2 Transmission-Owned Substations. Transmission Owner shall provide the necessary space to install or expand relay panels for Distribution System protection if requested by Local Distribution Company. Any incremental costs required to accommodate such a request shall be the responsibility of Local Distribution Company.

Article 7. Planning and Obligation to Serve

7.1 Adequacy Obligation. Subject to applicable regulatory approvals, including the principles of least-cost long-term planning applicable to maintaining the overall reliability of the transmission and distribution system in the planning horizon, and subject to the oversight and direction of the RTO (or any successor regional transmission organization) where applicable, Transmission Owner shall have a public utility duty to operate, maintain, plan, design and construct the Transmission System so that the system is adequate to: (i) deliver on a reliable basis the reasonable, projected needs of all loads on the Distribution System connected to and dependent upon the Transmission Owner's facilities for delivery of reliable, low-cost and competitively-priced electricity to such distribution system; and (ii) provide needed support to the Distribution System. Local Distribution Company recognizes that the obligations above are in addition to the Transmission Owner's other obligations under separate tariffs and agreements also related to operating, maintaining, planning, designing, and constructing the Transmission System, including obligations related to other electric distribution systems and adequacy to support effective competition in energy markets. In meeting these obligations, the Transmission Owner

shall treat the needs of each electric distribution system interconnected with the Transmission system, and the electric loads on each system in a nondiscriminatory manner.

- 7.2 Coordination of Planning Activities. Local Distribution Company and Transmission Owner shall discuss, at appropriate intervals but no less than annually, the needs of Local Distribution Company and the plans of Transmission Owner that could affect Local Distribution Company. The Parties agree to cooperate and coordinate as necessary on planning and construction of projects that affect Local Distribution Company.
- 7.3 Regulatory Approvals. If the Parties agree upon the need for any such project, they shall cooperate and coordinate in seeking all necessary regulatory approval for such project. The Parties shall coordinate and cooperate with each other with respect to all communications and commitments to municipal, county, and state agencies involved in such project.
- 7.4 Reservation of Rights. If Local Distribution Company proposes construction of a transmission project and Transmission Owner does not agree that such project is needed, Local Distribution Company shall have the right to petition the applicable Governmental Authority for a declaratory ruling on whether the proposed project is needed pursuant to Transmission Owner's public-utility duty to plan and construct a reliable, adequate system. The Parties agree that the ruling of the applicable Governmental Authority will be binding upon them.
- 7.5 Load Growth and Reliability Needs. Transmission Owner is obligated to plan and install any Transmission System components that may be necessary to accommodate Local Distribution Company's planned load growth and planned reliability improvements. Transmission Owner will construct new interconnections with the Distribution System in accordance with Transmission Owner's planning criteria, other agreements in effect between the Parties, and Good Utility Practice. Transmission Owner shall bear the responsibility for such planning and installing in accordance with this Article 7. Transmission Owner's obligations under this Section 7.5 shall include the planning and installation of any new Interconnection Points that may be necessary to accommodate Local Distribution Company's planned load growth and planned reliability improvements. Recovery of the cost of such additions shall be in accordance with Section 7.1.
- 7.6 Information Submittals to Transmission Owner. To facilitate planning and construction discussions under Section 7.2, Local Distribution Company, or its designated representative, shall annually submit the following information, on a commercially reasonable efforts basis, and under the following conditions to Transmission Owner.
- 7.6.1 No later than November 1 of each year, the most recent actual summer and winter peak demands in megawatts (MW) and megavars (MVAR) for each Interconnection Point with the Transmission System, coincident with Local Distribution Company's peak demand for these seasons.

- 7.6.2 No later than February 1 of each year:
- (i) seasonal peak demand forecasts (MW and MVAR) for each Local Distribution Company Interconnection Point with the Transmission System for the next ten (10) years as required by the Applicable Reliability Standards or RTO requirements for the Transmission Owner's model; and
 - (ii) planned facility connections (new Interconnection Points) with the Transmission System for the next ten (10) years.
- 7.6.3 Transmission Owner will treat all information disclosed by Local Distribution Company under this Section 7.6 as Confidential Information.

Article 8. New Construction and Modification

8.1 Allocation of Responsibility and Costs.

8.1.1 Generally. Each Party may construct additional Elements for its System or otherwise modify its System. All such modifications and construction provided for herein, shall be (i) conducted with Due Diligence in accordance with Good Utility Practice, all Applicable Reliability Standards, Reliability Coordinator and RTO requirements, and otherwise in accordance with the terms of this Agreement, and (ii) subject to any required approvals of Governmental Authorities.

8.1.2 Allocation of Costs; Non-Impairment. Except as otherwise expressly provided by this Agreement, each Party shall only be responsible for the costs to modify its own System and the costs to construct new Elements of its System and shall not be responsible for the costs imposed on the other Party as a result of such modification or new construction. However, during the period while such modification or new construction is under way, the Party constructing new Elements for its System or otherwise modifying its System shall perform such activities using Good Utility Practice so as not to impair the transmission, distribution and communications capabilities of the other Party and to avoid or minimize any adverse impact on the other Party.

8.2 Required Notices. No modifications to, or new construction of, facilities, or access thereto, including but not limited to rights-of-way, fences, and gates, shall be made by either Party pursuant to this Article 8 that might reasonably be expected to have a material effect upon the other Party with respect to operations or performance under this Agreement, without providing such other Party (a) prior written notification as set forth in this Article 8, and (b) sufficient information regarding the work prior to commencement to enable such other Party to evaluate the impact of the proposed work on its operations. The information provided must be sufficiently detailed to enable reasonable review by such other Party and satisfy such other Party's reasonable operational requirements. Each Party shall use reasonable efforts to minimize any adverse impact on the other Party.

8.3 Drawings; Specifications; Review.

- 8.3.1 Submittal. If any Party intends to install any new facilities, equipment, systems, or circuits or any modifications to existing or future facilities, equipment, systems or circuits that could reasonably be expected to have a material effect upon the operation of the other Party, the Party desiring to perform said work shall, in addition to the requirements of Section 8.2, provide the other Party with drawings, plans, specifications and other necessary documentation for review at least ninety (90) days prior to the start of the construction of any such installation. This notice period shall not apply to modifications or new installations made to resolve or prevent pending Emergency or Network Security Conditions.
- 8.3.2 Review. The Party reviewing any drawings, plans, specifications, or other necessary documentation shall promptly review the same and provide any comments to the performing Party no later than sixty (60) days prior to the start of the construction of any installation. The performing Party shall incorporate all requested modifications to the extent required to maintain Good Utility Practice and compliance with this Agreement. The reviewing Party may reject plans that do not meet applicable safety codes.
- 8.4 As-Built Drawings; Specifications. Within one-hundred twenty (120) days after any modification or construction subject to this Article 8 is placed in service, the Party initiating the work shall provide “as built” drawings, plans, specifications and related technical data to the other Party. Approval or review of any document referenced herein shall not relieve the initiating party of its responsibility for the design or construction of any proposed facility, nor shall it subject the other Party to any liability, except with respect to the confidentiality provisions of Article 20.
- 8.5 Inspections. Each Party shall, at its own expense, have the right to inspect or observe all maintenance activities, equipment tests and installation, construction, and modification of facilities of the other Party that could have a material effect upon the facilities or operations of the first Party.
- 8.6 Existing Substation Expansion Capability. To the extent a substation in existence as of the Effective Date has as of that date undeveloped space for expansion distribution bays or transmission bays and corresponding line routes, the owning Party of such substation shall make such space available to the other Party for the expansion of such Party’s System *provided* that such owning Party shall not be obligated to make such space available to the extent such space is needed for planned expansion of the owning Party’s System.
- 8.7 In-Progress Projects. Each Party’s in-progress transmission projects, or which have received budgetary approval as of the Effective Date, in each case that may impact the other Party’s System (i) are set forth in Exhibit 9 hereto and (ii) shall be considered approved for construction by Local Distribution Company and Transmission Owner, as applicable. Each Party shall accept these projects for construction without any additional System requirements, other than those that are already part of those projects.

Article 9. Access to Facilities

9.1 Generally. The Parties hereby agree to provide each other such access to facilities, properties, equipment and records as may be necessary and appropriate to enable each Party to maintain its respective facilities, equipment and property in a manner consistent with Good Utility Practice and otherwise in accordance with this Agreement. Such access shall be provided in a manner so as not to interfere unreasonably with the ongoing business operations, rights, and obligations of either Party. Any such access shall be subject to applicable federal, state and local laws and regulations and the rules and operation guidelines of the Party owning such facilities or properties, including without limitation the requirement that such Party's personnel make communication with the other Party upon arriving at, and prior to, entering such Party's facilities or properties to notify the owning Party of their presence, summary of their intended actions and the potential risks.

9.2 Easements; Access to Facilities and Property.

9.2.1 Easements.

- (i) Transmission Owner Easements. Without limiting the generality of Section 9.1, Transmission Owner shall have access to all Elements of its System, including Transmission Owner's Interconnection Equipment, Distribution Common Use Facilities, in each case located at a Distribution-Owned Substation or otherwise located on Local Distribution Company's property through easements or servitudes, as applicable, substantially in the form of Exhibit 7-1 ("Easements"), granted to Transmission Owner by Local Distribution Company.
- (ii) Local Distribution Company Easements. Without limiting the generality of Section 9.1, Local Distribution Company shall have access to all Elements of its System, including Local Distribution Company's Interconnection Equipment, Transmission Common Use Facilities, in each case located at a Transmission-Owned Substation or otherwise located on Transmission Owner's property through Easements granted to Local Distribution Company by Transmission Owner.
- (iii) Schedule of Easements. A schedule of Easements granted pursuant, and subject, to this Agreement is attached hereto as Exhibit 7-2. Transmission Owner and Local Distribution Company acknowledge and agree that Exhibit 7-2 may be revised and supplemented from time to time to add and/or delete easements as additional facilities are added or retired. Such supplementation shall not require formal amendment to this Agreement but shall be presented to and approved by the Operating Committee.

9.2.2 Access to Property and Facilities Generally. Each Party shall (i) furnish at no cost to the other Party any necessary access, additional easements, licenses, and/or rights of way upon, over, under, and across lands owned or controlled by either

Party and/or its affiliated interests for the construction and operation of necessary lines, substations, and other equipment in furtherance of the continued interconnection of such other Party's facilities from and after the Effective Date, with the such Party's System under this Agreement, and (ii) at all reasonable times, give such other Party, or its agents, free access to such lines, substations, and equipment, as allowed by the Applicable Reliability Standards, Reliability Coordinator and RTO requirements.

- 9.2.3 Metering Devices. An accessible, protected and satisfactory site shall be mutually agreed upon by the respective Parties at each Distribution-Owned Substation and Transmission-Owned Substation, and the non-owning Party shall be provided at the owning Party's expense, for installation at such site of metering devices, unless the owning Party elects to install meters on poles or other locations controlled by it. Each owning Party grants to non-owning Party at all reasonable times and with reasonable supervision, the right of free ingress and egress to such sites for the purpose of installing, testing, reading, inspecting, repairing, operating, altering, or removing any of the non-owning Party's property located at such sites or for other purposes necessary to enable either Party to deliver or receive electric energy, suspend the delivery or receipt thereof, or determine owning Party's compliance with this Agreement.
- 9.3 Keys; Access Codes; Qualified Personnel. Each Party shall provide the other Party keys, access codes or other access methods necessary to gain unassisted access to the other Party's facilities to exercise rights under this Agreement. Access shall only be granted to Qualified Personnel and shall adhere to the Applicable Reliability Standards for critical infrastructure protection and the facility owning Party's policies and procedures as deemed necessary by the facility owning Party for compliance with those standards.
- 9.4 No Changes to Site Topography or Access. Neither Party shall make changes to the site topography or accesses, including but not limited to grading or drainage, that could reasonably be expected to have a material adverse effect upon the other Party's facilities or common use drainage or pollution control systems without the prior written consent of the other Party, such consent not to be unreasonably withheld.
- 9.5 Mobile Substation Accessibility. For each Transmission-Owned Substation or Distribution-Owned Substation having as of the Effective Date mobile substation accessibility for N-1 contingency for the removal of distribution transformer for maintenance or restoration purposes, the owning Party of such substation shall maintain at that substation the specified level of mobile substation accessibility. Such substations shall be identified in Exhibit 1.

Article 10. Notifications and Reporting

- 10.1 Generally. Unless otherwise provided, any notice required to be given by either Party to the other Party in connection with this Agreement shall be given in writing: (i) personally; (ii) by facsimile transmission (if the sender thereafter sends such notice to the recipient by any of the other methods provided in this Section 10.1); (iii) by registered or

certified U.S. mail, return receipt requested, postage prepaid; or (iv) by reputable overnight carrier, with acknowledged receipt of delivery; or (v) any other method mutually agreed by the Parties in writing. Notice given personally shall be deemed given on the date of personal receipt. Notice sent by facsimile shall be deemed given on the date the transmission is confirmed by sender's facsimile machine, so long as the facsimile is sent on a business day during normal business hours of the recipient. Otherwise, notice by facsimile shall be deemed given on the next succeeding business day. Notice provided by mail or overnight courier shall be deemed given at the date of acceptance or refusal of acceptance shown on such receipt.

10.2 Notice to Site Representatives. Notice to Transmission Owner shall be to Transmission Owner's Site Representative, at the address identified in Exhibit 2. Notice to Local Distribution Company shall be to Local Distribution Company's Site Representative, at the address identified in Exhibit 2.

10.3 Emergency; Network Security Condition.

10.3.1 Prompt Notice. Each Party shall provide prompt verbal notice to the other Party describing: (i) the nature and extent of any Emergency or Network Security Condition that may be reasonably anticipated to affect the other Party's equipment, facilities or operations, (ii) the impact on operations, and (iii) all corrective action. Either Party may take reasonable and necessary action, both on its own and the other Party's System, equipment, and facilities, to prevent, avoid or mitigate injury, danger, damage or loss to its own equipment and facilities, or to expedite restoration of service; *provided, however*, that the Party taking such action shall give the other Party prior verbal notice, if at all possible, before taking any action on the other Party's System, equipment, or facilities.

10.3.2 Provision of Documents; Information. In the event of an Emergency or Network Security Condition contemplated by Section 10.3.1, each Party shall provide to the other such information, documents, and data as are necessary for operation of the Transmission System and Distribution System, including, without limitation, such information as is to be supplied to any Governmental Authority, ERO, RRO, Transmission System Operations Center, or Balancing Authority.

10.4 Information Exchanges. In order to continue interconnection of the Distribution System and Transmission System, each Party shall promptly provide the other Party with all relevant information, documents, or data regarding the Distribution System and the Transmission System that would be reasonably expected to affect the Distribution System or Transmission System and is reasonably requested by ERO, RRO, Reliability Coordinator, RTO or any Governmental Authority.

10.5 Maintenance; Inspections.

10.5.1 Minor. A Party performing routine maintenance and inspection activities that do not require major equipment or system outages and have no material impact on

the other Party shall provide the other Party with at least twenty-four (24) hours' prior notice, if practicable.

- 10.5.2 Major. A Party performing routine maintenance and inspection activities that will require major equipment or system outages shall provide the other Party with not less than seventy-two (72) hours' prior notice, if practicable; *provided* that the provisions of Section 3.7.2 remain applicable to the outages and that the notice required by this Section 10.5 shall be in addition to, and does not substitute for, the requirements of Section 3.7. As noted in Article 3.7, Parties must comply with the applicable RTO requirements.
- 10.5.3 Entry. Each Party shall notify the other Party prior to entering other Party's facilities.
- 10.6 System Alarms. Each Party shall provide prompt verbal notice to the other Party of any System alarm relating to the other Party's equipment, unless the system alarm is automatically sent to the other Party.
- 10.7 System Events Data. Upon request, each Party shall provide a report or a copy of the data from a System events recorder or digital fault recorder relating to the other Party's equipment.
- 10.8 Labor Disputes. Each Party agrees to notify the other Party immediately verbally, and then in writing, of any labor dispute or anticipated labor dispute of which its management has actual knowledge that might reasonably be expected to affect the operations of the other Party with respect to this Agreement.
- 10.9 Verbal Notification. Each Party shall provide verbal notification to the applicable Site Representative of the other Party's all life threatening, serious health, or extreme reliability risks identified by such Party in connection with its performance of this Agreement.

Article 11. Safety

- 11.1 Compliance with Laws; Standards. Each Party agrees that all work performed by either Party that may reasonably be expected to affect the other Party shall be performed in accordance with Good Utility Practice and all applicable laws, regulations, safety standards, practices and procedures and other requirements pertaining to the safety of persons or property (including, but not limited to those of the Occupational Safety and Health Administration, the National Electrical Safety Code and those developed or accepted by Transmission Owner and Local Distribution Company for use on their respective systems) and Good Utility Practice when entering or working in the other Party's property or facilities or switching area. A Party performing work within the boundaries of the other Party's facilities must abide by the safety rules applicable to the site.
- 11.2 Employee Supervision. Each Party shall be solely responsible for the safety and supervision of its own employees, agents, representatives, and subcontractors.

- 11.3 Reporting Personal Injuries. Each Party shall (i) immediately report any injuries that occur while working on other Party's property, facilities or switching area to appropriate agencies and Site Representative, and (ii) provide a follow-up incident/injury status report within five (5) business days of the event.
- 11.4 Switching and Personal Safety Procedures. Each Party will comply with its clearing/tagging/lockout procedures as provided in Section 2.3.

Article 12. Environmental Compliance and Procedures

- 12.1 Notice of Releases. Each Party shall immediately provide verbal or written notification to the other Party upon the discovery of any Release of any hazardous substance caused by the Party's operations or equipment that impacts the assets or facilities of the other Party or upon discovery of the Release of any hazardous substance that may reasonably be expected to migrate to, or adversely impact, the property, facilities or operations of the other Party and shall promptly furnish to the other Party copies of any reports filed with, or received from, any Governmental Authorities addressing such events.
- 12.2 Cost Responsibility; Remediation and Abatement. The Party responsible for the Release of any hazardous substance on the property or facilities of the other Party, or of any hazardous substance that may migrate to, or adversely impact the property, facilities or operations of the other Party shall be responsible for the cost of performing any and all remediation or abatement activity required by a Governmental Authority or by Environmental Laws and submitting all reports or filings required by Environmental Laws. Advance written notification (except in emergency situations, in which verbal, followed by written notification, shall be provided as soon as practicable) shall be provided by any Party performing any remediation or abatement activity on the property or facilities of the other Party, or that may adversely impact the property, facilities, or operations of, the other Party. Except in emergency situations, such remediation or abatement activity shall be performed only with the consent of the Party owning the affected property or facilities, which consent shall not be unreasonably withheld. The Parties agree to coordinate, to the extent necessary, the preparation of site plans, reports or filings required by law or regulation, including but not limited to Spill Prevention, Control and Countermeasures (SPCC) and Stormwater Pollution Prevention Plans (SWPP) required by Environmental Laws.

Article 13. Billings and Payment

- 13.1 Invoices. Any invoices payable under this Agreement shall be provided to the other Party under this Agreement within a reasonable time after the first day of each month. Each invoice shall indicate the month in which services were provided, shall fully describe the services rendered and shall be itemized to reflect the services performed or provided. The invoice shall be paid within sixty (60) days of the invoice date.
- 13.2 Any payments required to be made by Local Distribution Company under this Agreement shall be made to Transmission Owner at the following address:

[ITC]

Fax: _____

Attention: Accounts Receivable

Any payments required to be made by Transmission Owner under this Agreement shall be made to Local Distribution Company at the following address:

[Entergy Utility OpCo]

Fax: _____

Attention: _____

- 13.3 Interest. The rate of interest on any amount not paid when due shall be equal to the Interest Rate in effect at the time such amount became due. Interest on delinquent amounts shall be calculated from the due date of the bill to the date of the payment. When payments are made by mail, bills shall be considered as having been paid on the date of receipt by the other Party. Nothing contained in this Article 13 is intended to limit either Party's remedies under Article 21 of this Agreement.
- 13.4 Payment not a Waiver. Payment of an invoice shall not relieve the paying Party from any responsibilities or obligations it has under this Agreement, nor shall such payment constitute a waiver of any claims arising hereunder.
- 13.5 Disputes. If all or part of any bill is disputed by a Party, that Party shall promptly pay the amount that is not disputed and provide the other Party a reasonably detailed written explanation of the basis for the Dispute pursuant to Article 26. The disputed amount shall be paid into an independent escrow account pending resolution of the Dispute, at which time the prevailing Party shall be entitled to receive the disputed amount, as finally determined to be payable, along with interest accrued at the Interest Rate through the date on which payment is made, within ten (10) business days of such resolution.
- 13.6 Costs of Collection. Neither Party shall be responsible for the other Party's costs of collecting amounts due under this Agreement, including attorney fees and expenses and the expenses of arbitration.

Article 14. Applicable Regulations and Interpretation

- 14.1 Governmental Approvals. Each Party's performance under this Agreement is subject to the condition that all requisite approvals from Governmental Authorities required for such performance are obtained in form and substance satisfactory to the other Party in its reasonable judgment, including the filing at FERC and acceptance of this Agreement under Section 205 of the Federal Power Act. Each Party shall exercise Due Diligence and shall act in good faith to secure all appropriate approvals in a timely fashion.

- 14.2 Governing Law. This Agreement is made subject to present or future state or federal laws, regulations, or orders properly issued by state or federal bodies having jurisdiction. This Agreement shall be interpreted pursuant to the laws of the State of New York without regard to any conflicts of law principles and to the Federal Power Act and the regulatory agency or agencies having jurisdiction over the particular matter.

Article 15. Force Majeure

- 15.1 General. Except for the obligation to make any payments under this Agreement, neither Party shall be considered to be in default or breach of this Agreement or liable in damages or otherwise responsible to the other Party for any delay in or failure to carry out any of its obligations under this Agreement if, and only to the extent that, the Party is unable to perform or is prevented from performing by an event of Force Majeure. Notwithstanding the foregoing sentence, neither Party may claim Force Majeure for any delay or failure to perform or carry out any provision of this Agreement to the extent that such Party has been negligent or engaged in intentional misconduct and such negligence or intentional misconduct substantially and directly caused that Party's delay or failure to perform or carry out its duties and obligations under this Agreement.
- 15.2 Force Majeure Defined. The term Force Majeure means those events beyond the reasonable control of, and without the fault or negligence of, the Party claiming Force Majeure which, through the exercise of Good Utility Practice, that Party could not have avoided and which, by exercise of Due Diligence, that Party is unable to overcome. Such events include the following, to the extent they conform to the foregoing criteria: labor disputes (including a strike) flood; lightning strikes; earthquake; fire; epidemic; war; invasion; riot; civil disturbance; sabotage or vandalism; explosion; insurrection; military or usurped power; action of any court or Governmental Authority, or any civil or military authority de facto or de jure; act of God or the public enemy; or any other event or cause of a similar nature beyond a Party's reasonable control. Mere economic hardship does not constitute Force Majeure.
- 15.3 Procedures. A Party claiming Force Majeure must:
- 15.3.1 give written notice to the other Party of the occurrence of a Force Majeure event no later than three (3) business days after learning of the occurrence of such an event;
 - 15.3.2 use Due Diligence to resume performance or the provision of service hereunder as soon as practicable;
 - 15.3.3 take all commercially reasonable actions to correct or cure the Force Majeure event;
 - 15.3.4 exercise all reasonable efforts to mitigate or limit damages to the other Party, *except* that neither party shall be required to settle any strike, walkout, lockout or other labor dispute on terms that, in the sole judgment of the Party involved in the dispute, are contrary to its interest; and

15.3.5 provide prompt written notice to the other Party of the cessation of the adverse effect of the Force Majeure event on its ability to perform its obligations under this Agreement.

Article 16. Limitation of Liability

16.1 With respect to claims by and between the Parties under this Agreement, notwithstanding any other provision of this Agreement, liability of each Party shall be limited to direct actual damages, and all other damages at law or in equity are waived. Under no circumstances shall either Party or its affiliates, directors, officers, employees and agents, or any of them, be liable to the other Party, whether in tort, contract or other basis in law or equity for any special, indirect, punitive, exemplary or consequential damages, including such damages for: loss of profits or revenue from work not performed; loss of use of or under-utilization of the other Party's facilities, loss of use of revenues; attorneys' fees, litigation costs and loss of anticipated profits resulting from either Party's performance or non-performance of an obligation imposed by this Agreement. The limitations on damages specified in this section are without regard to the cause or causes related thereto, including the negligence of any Party, whether such negligence be sole, joint or concurrent, or active or passive. This limitation shall not apply to claims for death, bodily injury or third-party claims.

Article 17. Indemnification

17.1 Local Distribution Company's Indemnification. Subject to the provisions of Article 16, Local Distribution Company shall indemnify, hold harmless and defend Transmission Owner, and its officers, directors, employees, affiliates, managers, members, trustees, shareholders, agents, contractors, subcontractors, affiliates' employees, invitees and successors, from and against any and all claims, demands, suits, obligations, payments, liabilities, costs, losses, judgments, damages and expenses (including the reasonable costs and expenses of any and all actions, suits, proceedings, assessments, judgments, settlements, and compromises relating thereto, reasonable attorneys' and experts' fees and reasonable disbursements in connection therewith) for damage to property, or injury to, or death of, any individual, including Transmission Owner's employees and affiliates' employees, Local Distribution Company's employees, or any other third parties, to the extent caused wholly or in part by any act or omission, negligence or otherwise, by Local Distribution Company or its officers, directors, employees, agents, contractors, subcontractors and invitees arising out of or connected with Local Distribution Company's performance or breach of this Agreement, or the exercise by Local Distribution Company of its rights hereunder; *provided, however*, that the provisions of this Section shall not apply if any such injury, death or damage is held to have been caused by the negligence or intentional wrongdoing of Transmission Owner, its agents or employees. In furtherance of the foregoing indemnification and not by way of limitation thereof, Local Distribution Company hereby waives any defense it otherwise might have under applicable workers' compensation laws.

17.2 Transmission Owner's Indemnification. Subject to the provisions of Article 16, Transmission Owner shall indemnify, hold harmless and defend Local Distribution

Company, its parent and its officers, directors, employees, affiliates, managers, members, trustees, shareholders, agents, contractors, subcontractors, invitees and successors, from and against any and all claims, demands, suits, obligations, payments, liabilities, costs, losses, judgments, damages and expenses (including the reasonable costs and expenses of any and all actions, suits, proceedings, assessments, judgments, settlements, and compromises relating thereto, reasonable attorneys' and expert fees and reasonable disbursements in connection therewith) for damage to property, or injury to, or death of any individual, including Local Distribution Company's employees and affiliates' employees, Transmission Owner's employees, or any other third parties, to the extent caused wholly or in part by any act or omission, negligence or otherwise, by Transmission Owner or its officers, directors, employees, agents, contractors, subcontractors and invitees arising out of or connected with Transmission Owner's performance or breach of this Agreement, or the exercise by Transmission Owner of its rights hereunder; *provided, however*, that the provisions of this Section shall not apply if any such injury, death or damage is held to have been caused by the negligence or intentional wrongdoing of Local Distribution Company, its agents or employees. In furtherance of the foregoing indemnification and not by way of limitation thereof, Transmission Owner hereby waives any defense it otherwise might have under applicable workers' compensation laws.

- 17.3 Indemnification Procedures. Any Party seeking indemnification under this Agreement shall give the other Party notice of such claim as soon as practicable. Such notice shall describe the claim in reasonable detail, and shall indicate the amount (estimated if necessary) of the claim that has been, or may be sustained by, said Party. To the extent that the other Party will have been actually and materially prejudiced as a result of the failure to provide such notice, such notice will be a condition precedent to any liability of the other Party under the provisions for indemnification contained in this Agreement. Neither Party may settle or compromise any claim for which indemnification is sought under this Agreement without the prior consent of the other Party; *provided, however*, said consent shall not be unreasonably withheld or delayed. Each Party's indemnification obligation will survive expiration, cancellation or early termination of this Agreement.

Article 18. Insurance

- 18.1 Required Insurance. The Parties agree to maintain, at their own cost and expense, general and automobile liability, worker's compensation, and other forms of insurance relating to their operations for the life of this Agreement in the manner, and amounts, as are usual and customary for similarly situated companies in their respective industries.
- 18.2 Certificates. Upon request, each Party shall provide to the other Party, properly executed and current certificates of insurance with respect to all insurance policies required to be maintained by such Party under this Agreement. Certificates of insurance shall provide the following information:
- (i) name of insurance company, policy number and expiration date;
 - (ii) the coverage required and the limits on each, including the amount of deductibles or self-insured retentions, which shall be for the account of the Party maintaining such policy;
 - (iii) a statement indicating that the other Party shall endeavor to provide at least thirty (30) days' prior written notice of cancellation of a policy; and
 - (iv) a statement indicating that the other Party and its affiliates have been named as additional insureds.
- 18.3 Claims-Made. If any insurance is written on a "claims made" basis, the primary insured Party shall maintain the coverage for a minimum of three (3) years after the termination of this Agreement.

Article 19. Several Obligations

- 19.1 Except where specifically stated in this Agreement to be otherwise, the duties, obligations and liabilities of the Parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership, or joint venture or to impose a trust or partnership duty, obligation or liability or agency relationship on or with regard to either Party. Each Party shall be individually and severally liable for its own obligations under this Agreement.

Article 20. Confidentiality

- 20.1 Definition. "Confidential Information" shall mean any confidential, proprietary or trade secret information of or relating to a Party, including any plan, specification, pattern, procedure, design, device, list, concept, policy or compilation relating to the present or planned business of a Party, that is designated in good faith as Confidential by the Party supplying the information, whether conveyed orally, electronically, in writing, through inspection or otherwise. Confidential Information shall include, without limitation, all information relating to a Party's technology, research and development, business affairs, pricing and customer-specific load data that constitutes a trade secret, and any

information supplied by either of the Parties to the other prior to the execution of this Agreement.

- 20.2 General. Each Party will hold in confidence any and all Confidential Information unless compelled to disclose such information (i) by judicial or administrative process or other provisions of law or as otherwise provided for in this Agreement, or (ii) to meet obligations imposed by FERC or by a state or other federal entity or by membership in ERO, RTO, Reliability Coordinator or RRO (including without limitation obligations to disclose to other Transmission Owners). Information required to be disclosed under romanette (i) or (ii) above, does not, by itself, cause any information provided by Local Distribution Company to Transmission Owner to lose its confidentiality. Notwithstanding the first sentence of this Section 20.2, a Party that receives Confidential Information may disclose the Confidential Information to a third party to the extent such third party needs to know the Confidential Information for the purpose of assisting such Party with respect to such Party's obligations or rights under this Agreement, *provided* that any such disclosure shall be consistent with the applicable rules and regulations of FERC, including the FERC Standards of Conduct, and *provided further* that such Party shall advise said third party of the confidentiality provisions of this Agreement and use its best efforts to require said third party to agree in writing to comply with such provisions. Transmission Owner will develop and file with FERC standards of conduct relating to the sharing of market-related Confidential Information with and by Transmission Owner employees.
- 20.3 Term. During the term of this Agreement, and for a period of three (3) years after the expiration or termination of this Agreement, except as otherwise provided in this Article 20, each Party shall hold in confidence and shall not disclose to any person Confidential Information.
- 20.4 Standard of Care. Each Party shall use at least the same standard of care to protect Confidential Information it receives as that it uses to protect its own Confidential Information from unauthorized disclosure, publication or dissemination.
- 20.5 Scope. Confidential Information shall not include information that the receiving Party can demonstrate: (i) is generally available to the public other than as a result of disclosure by the receiving Party; (ii) was in the lawful possession of the receiving Party on a non-confidential basis prior to receiving it from the disclosing Party; (iii) was supplied to the receiving Party without restriction by a third party, who, to the knowledge of the receiving Party, after due inquiry was under no obligation to the disclosing Party to keep such information confidential; (iv) was independently developed by the receiving Party without reference to Confidential Information of the disclosing Party; (v) is, or becomes, publicly known, through no wrongful act or omission of the receiving Party or breach of this Agreement; or (vi) is required, in accordance with Section 20.2 of this Agreement, to be disclosed by any federal or state government or agency or is otherwise required to be disclosed by law or subpoena, or is necessary in any legal proceeding establishing rights and obligations under this Agreement. Information designated as Confidential Information will no longer be deemed confidential if the Party that designated the information as confidential notifies the other Party that it no longer is confidential.

- 20.6 Order of Disclosure. If a court or a government agency or entity with the right power, and apparent authority to do so requests or requires either Party, by subpoena, oral deposition, interrogatories, requests for production of documents, administrative order, or otherwise, to disclose Confidential Information, that Party shall provide the other Party with prompt notice of such request(s) or requirement(s) so that the other Party may seek an appropriate protective order or waive compliance with the terms of this Agreement. The notifying Party shall have no obligation to oppose or object to any attempt to obtain such production except to the extent requested to do so by the disclosing Party and at the disclosing Party's expense. If either Party desires to object or oppose such production, it must do so at its own expense. The disclosing Party may request a protective order to prevent any Confidential Information from being made public. Notwithstanding the absence of a protective order or waiver, the Party may disclose such Confidential Information as, in the opinion of its counsel, the Party is legally compelled to disclose. Each Party will use reasonable effort to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so furnished.
- 20.7 Use of Information or Documentation. Each Party may utilize information or documentation furnished by the disclosing Party and subject to Section 20.1 in any proceeding under Article 26 or in an administrative agency or court of competent jurisdiction addressing any dispute arising under this Agreement, subject to a confidentiality agreement with all participants (including, if applicable, any arbitrator) or a protective order.
- 20.8 Remedies Regarding Confidentiality. The Parties agree that monetary damages by themselves will be inadequate to compensate a Party for the other Party's breach of its obligations under Article 20. Each Party accordingly agrees that if such Party breaches or threatens to breach its obligations under Article 20, the other Party shall be entitled to equitable relief, by way of injunction or otherwise.

Article 21. Breach, Default and Remedies

- 21.1 General. A breach of this Agreement ("Breach") shall occur upon the failure by a Party to perform or observe a material term or condition of this Agreement. A default of this Agreement ("Default") shall occur upon the failure of a Party in Breach of this Agreement to cure such Breach in accordance with Section 21.4.
- 21.2 Events of Breach. A Breach of this Agreement shall include:
- (i) the failure to pay any amount when due;
 - (ii) the failure to comply with any material term or condition of this Agreement, including but not limited to any material Breach of a representation, warranty or covenant made in this Agreement;
 - (iii) a Party's abandonment of its work or the facilities contemplated in this Agreement;

- (iv) a Party's: (A) insolvency; (B) filing of a voluntary petition in bankruptcy under any provision of any federal or state bankruptcy law or consent to the filing of any bankruptcy or reorganization petition against such Party under any similar law; (C) general assignment for the benefit of such Party's creditors; or (D) consent to the appointment of a receiver, trustee or liquidator;
- (v) assignment of this Agreement in a manner inconsistent with the terms of this Agreement;
- (vi) either Party's failure to provide such access rights, or attempt to revoke or terminate such access rights, as provided under this Agreement; or
- (vii) failure of either Party to provide information or data to the other Party as required under this Agreement, *provided* that the Party entitled to the information or data under this Agreement requires such information or data to satisfy its obligations under this Agreement.

21.3 Continued Operation. Except as specifically provided in this Agreement, in the event of a Breach or Default by either Party, the Parties shall continue to operate and maintain, as applicable, facilities and appurtenances that are reasonably necessary for the Transmission Owner to operate and maintain the Transmission System, or for the Local Distribution Company to operate and maintain the Distribution System, in a safe and reliable manner.

21.4 Cure and Default. Upon the occurrence of an event of Breach, the non-Breaching Party, when it becomes aware of the Breach, shall give written notice of the Breach to the Breaching Party and to any other person a Party to this Agreement identifies in writing to the other Party in advance. Such notice shall set forth, in reasonable detail, the nature of the Breach, and where known and applicable, the steps necessary to cure such Breach. Upon receiving written notice of the Breach hereunder, the Breaching Party shall have thirty (30) days, to cure such Breach. If the Breach is such that it cannot be cured within thirty (30) days, the Breaching Party will commence in good faith all steps as are reasonable and appropriate to cure the Breach within such thirty (30) day time period and thereafter diligently pursue such action to completion. In the event the Breaching Party fails to cure the Breach, or to commence reasonable and appropriate steps to cure the Breach, within thirty (30) days of becoming aware of the Breach, the Breaching Party will be in Default of the Agreement. In the event of a Default, the non-Defaulting Party has the right to seek to terminate the Agreement or take whatever action at law or equity as may be permitted under this Agreement. Any termination under this Agreement shall not take effect until FERC either authorizes the termination of this Agreement or accepts written notice of its termination.

21.5 Abandonment. Upon abandonment as referenced in Section 21.2.(iii) above and subject the receipt of required approvals from applicable Governmental Authorities the non-abandoning party shall have the right to purchase the abandoned facilities at. The price to be paid for any facility, asset or equipment, or group of related facilities, assets or

equipment, so conveyed with a Net Book Value less than \$10,000,000 shall be priced equal to the Net Book Value of such facilities, asset or equipment, but in any case shall not be less than zero dollars (i.e., no payment will occur as a result of the Net Book Value being less than zero), and any facility, asset or equipment, or group of related facilities, assets or equipment, so conveyed with a Net Book Value equal to or greater than \$10,000,000 shall be conveyed for an amount as mutually agreed to by the Parties.

- 21.6 Right to Compel Performance. Notwithstanding the foregoing, upon the occurrence of an event of Default, the non-Defaulting Party shall be entitled to commence an action to require the Defaulting Party to remedy such Default and specifically perform its duties and obligations hereunder in accordance with the terms and conditions hereof, and exercise such other rights and remedies as it may have in equity or at law.

Article 22. Term

- 22.1 Term. Subject to Section 22.2, this Agreement shall become effective as of the Effective Date and shall continue in full force and effect for an initial period of twenty (20) years and shall be automatically renewed for each successive one-year period thereafter on the anniversary of the Effective Date.

- 22.2 Termination on Default. This Agreement may be terminated upon a Party's Default in accordance with the provisions of Article 21.

- 22.3 Material Adverse Change.

22.3.1 Definition. In the event of a material change in law or regulation that adversely affects, or may reasonably be expected to adversely affect, either Party's performance under this Agreement ("Material Adverse Change"), the Parties will negotiate in good faith any amendment or amendments to the Agreement necessary to adapt the terms of this Agreement to such change in law or regulation, and Transmission Owner shall file such amendment or amendments for acceptance by FERC, as applicable. Material Adverse Changes shall include without limitation:

- (i) refusal by FERC to accept this Agreement for filing without material modification or condition;
- (ii) prevention by ERO, RRO, RTO, or Reliability Coordinator, in whole or in part, of either Party from performing any provision of this Agreement in accordance with its terms; and
- (iii) implementation by FERC, the United States Congress, any state, or any federal or state regulatory agency or commission of any change in any law, regulation, rule or practice that materially affects or is reasonably expected to materially affect either Party's ability to perform under this Agreement.

- 22.3.2 Impasse. If the Parties are unable to reach agreement on any such amendments, then the Parties shall continue to perform under this Agreement to the maximum extent possible, taking all reasonable steps to mitigate any adverse effect on each other resulting from the material change in law or regulation. If the Parties are unable to reach agreement on any such amendments, Transmission Owner shall have the right to make a unilateral filing with FERC to modify this Agreement pursuant to Section 205 of the Federal Power Act and Local Distribution Customer shall have the right to make a unilateral filing with FERC to modify this Agreement pursuant to Section 206 of the Federal Power Act. Each Party shall have the right to protest any such filing by the other Party and to participate fully in any proceeding before FERC.
- 22.4 Regulatory Filing. The Transmission Owner shall file this Agreement with FERC as a rate schedule within the meaning of 18 C.F.R. Part 35. Local Distribution Company agrees to cooperate reasonably with Transmission Owner with respect to such filing and to provide any information, including testimony reasonably requested by Transmission Owner, needed to comply with applicable regulatory requirements.
- 22.5 Survival. The applicable provisions of this Agreement shall continue in effect during dispute resolution (as provided for in Article 26) and after expiration, cancellation or termination hereof to the extent necessary to provide for final billings, billing adjustments and the determination and enforcement of liability and indemnification obligations arising from acts or events that occurred while this Agreement was in effect.

Article 23. Amendment

- 23.1 Section 205 and 206 Rights. Notwithstanding any other provision in this Agreement to the contrary any Party may unilaterally make application to FERC under Section 205 or 206 of the Federal Power Act and/or pursuant to FERC's rules and regulations promulgated thereunder for a change in any rate, term, condition, charge, classification of service, rule or regulation under or related to this Agreement. The standard of review FERC shall apply when acting on proposed modifications to this Agreement, either on FERC's own motion or on behalf of a signatory or a non-signatory, shall be the "just and reasonable" standard of review rather than the "public interest" standard of review.
- 23.2 Amendments. Except as provided for in Section 23.1 above, this Agreement may only be modified, amended, changed or supplemented in writing signed by both Parties.

Article 24. Assignment/Change in Corporate Identity

- 24.1 Transmission Owner Assignment Rights. Transmission Owner may not assign this Agreement or any of its rights, interests, or obligations hereunder without the prior written consent of Local Distribution Company, which consent shall not be unreasonably withheld; *provided, however*, that Transmission Owner may assign this Agreement or any of its rights or obligations hereunder without the prior written consent of Local Distribution Company and may assign this Agreement to any entity or entities (collectively, the "Surviving Transmission Entity") in connection with a merger,

consolidation, or reorganization, *provided* that the Surviving Transmission Entity or assignee owns the Transmission System and agrees in writing to be bound by all the obligations and duties of Transmission Owner provided for in this Agreement.

- 24.2 Local Distribution Company Assignment Rights. Local Distribution Company may not assign this Agreement or any of its rights, interests or obligations hereunder without the prior written consent of Transmission Owner, which consent shall not be unreasonably withheld; *provided, however*, that Local Distribution Company may, without the consent of Transmission Owner, and by providing prior reasonable notice under the circumstances to Transmission Owner, assign this Agreement to any entity or entities (collectively, the “Surviving Distribution Entity”) in connection with a merger, consolidation, or reorganization, provided that the Surviving Distribution Entity or assignee owns the Local Distribution System, agrees in writing to be bound by all the obligations and duties of Local Distribution Company provided for in this Agreement.
- 24.3 Assigning Party to Remain Responsible. Any assignments authorized as provided for in this Article 24 will not operate to relieve the Party assigning this Agreement or any of its rights, interests or obligations hereunder of the responsibility of full compliance with the requirements of this Agreement unless (i) the other Party consents (which consent shall not be unreasonably withheld), and (ii) the assignee agrees in writing to be bound by all of the obligations and duties of the assigning Party provided for in this Agreement.
- 24.4 This Agreement and all of the provisions hereof are binding upon, and inure to the benefit of, the Parties and their respective successors and permitted assigns.

Article 25. Subcontractors

- 25.1 Nothing in this Agreement shall prevent the Parties from utilizing the services of subcontractors as they deem appropriate; *provided, however*, that the Parties agree that, where applicable, all said subcontractors shall comply with the terms and conditions of this Agreement.
- 25.2 Except as provided herein, the creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this Agreement. Each Party shall be fully responsible to the other Party for the acts and/or omissions of any subcontractor it hires as if no subcontract had been made. Any obligation imposed by this Agreement upon the Parties, where applicable, shall be equally binding upon and applicable to any subcontractor.
- 25.3 No subcontractor is intended to be or shall be deemed a third-party beneficiary of this Agreement.
- 25.4 The obligations under this Article 25 shall not be limited in any way by any limitation on subcontractors’ insurance.
- 25.5 Each Party shall require its subcontractors to comply with all federal and state laws regarding insurance requirements and shall maintain standard and ordinary insurance coverages.

Article 26. Dispute Resolution

- 26.1 Any claim or dispute that either Party may have against the other arising out of or relating to this Agreement or the breach, termination or validity thereof (any such claim or dispute, a “Dispute”) shall be submitted in writing to the other Party no later than the latter of: (i) sixty (60) days after the circumstances that gave rise to the Dispute have taken place, or (ii) sixty (60) days of discovery of such circumstances. The submission of any Dispute shall be made to either Local Distribution Company’s Site Representative or Transmission Owner’s Site Representative, and shall include a concise statement of the question or issue in dispute, together with a statement listing the relevant facts and documentation that support the claim. In the event Transmission Owner’s Site Representative and Local Distribution Company’s Site Representative are unable in good faith to resolve their disagreement satisfactorily within thirty (30) days from the receipt of notice of the Dispute, either Party may by written notice to the other refer the Dispute to their respective senior management.
- 26.2 If any Dispute arising hereunder is not resolved within thirty (30) days after notice thereof to the other Party, the Parties shall follow the Dispute Resolution procedures set forth in the applicable OATT.

Article 27. Miscellaneous Provisions

- 27.1 Entire Agreement. This Agreement shall constitute the entire agreement between the Parties hereto relating to the subject matter hereof. In all other respects, special contracts or superseding rate schedules shall govern Transmission Owner’s transmission service to Local Distribution Company.
- 27.2 No Waiver. No failure or delay on the part of Transmission Owner or Local Distribution Company in exercising any of its rights under this Agreement, no partial exercise by either Party of any of its rights under this Agreement, and no course of dealing between the Parties shall constitute a waiver of the rights of either Party under this Agreement. No waiver shall be effective other than by a written instrument signed by the Party granting such waiver, and no such waiver shall operate as a waiver of, or estoppel with respect to, any subsequent failure to comply therewith.
- 27.3 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer on any person other than the Parties hereto any rights, interests, obligations or remedies hereunder.
- 27.4 Invalidity. In the event that any clause or provision of this Agreement or any part hereof shall be held to be invalid, void, or unenforceable by any court or other Governmental Authority of competent jurisdiction, said holding or action shall be strictly construed and shall not affect the validity or effect of any other provision hereof, and the Parties shall endeavor in good faith to replace such invalid or unenforceable provisions with a valid and enforceable provision that achieves the purposes intended by the Parties to the greatest extent permitted by law.

- 27.5 Further Assurances. The Parties hereto agree to execute and deliver promptly, at the expense of the Party requesting such action, any and all other and further instruments, documents and information that may be reasonably requested in order to effectuate the transactions contemplated hereby. The Parties agree to cooperate and assist each other in acquiring any regulatory approval necessary to effectuate this Agreement.
- 27.6 Interpretation. The Article and Section headings herein are inserted for convenience only and are not to be construed as part of the terms hereof or used in the interpretation of this Agreement. The table of contents to this Agreement is for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever required by the context, any pronoun used in this Agreement or the Exhibits hereto shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns, pronouns and verbs shall include the plural and vice versa. Unless expressly stated otherwise, reference to “day” or “days” shall be to calendar days. Reference to any agreement, document or instrument means such agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.
- 27.7 Jointly Drafted. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word “including” in this Agreement shall mean including without limitation.
- 27.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original.
- 27.9 Independent Contractor. Each Party shall act as an independent contractor with respect to the provision of services hereunder.
- 27.10 Limitations. Nothing in this Agreement addresses, or is intended to address, the interconnection service, and standards governing such service, provided by Transmission Owner to interconnect the Transmission System with the generating facilities of the Local Distribution Company or to any generating facilities of any entity affiliated with the Local Distribution Company.
- 27.11 Affiliate Status of Parties. For purposes of this Agreement, neither Party shall be considered an affiliate of the other.

27.12 Mutual Agreement. Whenever the Parties are called upon to review, approve or mutually agree regarding any provision of this Agreement, such review, approval or mutual agreement shall not be unreasonably withheld or delayed.

27.13 Audit Rights; Records Retention.

27.13.1 Right to Audit. Each Party, at its sole expense, shall have the right to audit any costs, payments, or other supporting information pertaining to transactions under this Agreement to determine the accuracy of payments requested by the other Party. Costs billed pursuant to this Agreement shall be subject to audit only for a period of two (2) years following payment thereof. Invoices and payments that are more than two (2) years old shall not be subject to audit and are deemed final.

27.13.2 Retention of Records. Each Party shall keep records and supporting data related to all costs invoiced under this Agreement in conformity with generally accepted accounting principles for a period of at least two (2) years.

27.13.3 Place and Time of Audit. Audits shall take place (i) during normal business hours and at the offices where such accounts and records are maintained, unless otherwise agreed by the Parties, (ii) not more than once in any calendar year, and (iii) in conformance with generally accepted auditing standards.

27.13.4 Confidential Information. To the extent that audited information includes Confidential Information, the auditing Party shall keep all such information confidential pursuant to Section 20 hereof.

27.13.5 Adjustments Resulting from an Audit. If an audit by a Party determines that an overpayment or underpayment has occurred, a notice of such overpayment or underpayment shall be given to the other Party together with those records from the audit which support such determination. If the determination is not disputed, the payment or refund shall be paid in the same manner as other invoices are paid under this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, Transmission Owner and Local Distribution Company have caused this Distribution-Transmission Interconnection Agreement to be executed by their duly authorized representatives as of the day and year first above written.

[ITC]

By: _____
Name:
Title:

[ENTERGY UTILITY OPCO]

By: _____
Name:
Title:

Exhibit 1

Identification of Facilities

[To Come – Separate attachment for each type of facility identified in the Agreement as being specified in Exhibit 1 (e.g., Interconnection Points, Interconnection Equipment, Transmission Substations, and Distribution Substations)]

Exhibit 2

**Contact Information For Local Distribution Company's Site Representative
and Transmission Owner's Site Representative**

Local Distribution Company's Contact List

Transmission Owner's Contact List

Vice President, Operations
ITC

Exhibit 3

Transmission Owner Switching Procedures

The enclosed Transmission Owner Switching Procedures is a document that may be modified from time to time. The version attached is the latest as of the date this Distribution-Transmission Interconnection Agreement was executed. It is the responsibility of the Local Distribution Company to confirm with Transmission Owner the latest approved version of the procedure.

Exhibit 4

Local Distribution Company Switching Procedures

The enclosed Local Distribution Company Switching Procedure is a document that may be modified from time to time. The version attached is the latest as of the date this Distribution-Transmission Interconnection Agreement was executed. It is the responsibility of the Transmission Owner to confirm with Local Distribution Company the latest approved version of the procedure.

Exhibit 5

[Reserved]

Exhibit 6

[Reserved]

Exhibit 7

Form of Easement

- 7.1 The Form of Easement to be used is dependent on the ownership of the substation and is attached as Exhibit 7-1.
- 7.2 Exhibit 7-2 is a Schedule of Easement Agreements. Exhibit 7-2 may be updated from time to time as modifications are made.

Exhibit 8

Metering Specifications

Performance criteria:

1. Meters shall meet or exceed the latest version of ANSI C12.1 (American National Standard for Electric Meters Code for Electricity Metering).
2. Current transformers used for metering shall meet or exceed an accuracy class of 0.3%. Secondary connected burdens shall not exceed rated burden of any current transformer. Current transformers shall comply with most current applicable ANSI Standards including C57.13 (IEEE Standard Requirements for Instrument Transformers) and C12.11 (Instrument Transformers for Revenue Metering 10KV BIL through 350 KV BIL). Local Distribution Company shall comply with the manufacturer's accuracy and burden class information on the nameplate of each device.
3. Voltage transformers used for metering shall meet or exceed an accuracy class of 0.3%. Secondary connected burdens shall not exceed rated burden of any voltage transformer. Voltage transformers shall comply with most current applicable ANSI Standards including C57.13 (IEEE Standard Requirements for Instrument Transformers), C12.11 (Instrument Transformers for Revenue Metering 10KV BIL through 350 KV BIL), and C93.1 (Power Line Coupling Carrier Capacitors and Coupling Capacitor Voltage Transformers (CCVT)). Local Distribution Company shall comply with the manufacturer's accuracy and burden class information on the nameplate of each device.

Exhibit 9
In-Progress Projects

Exhibit 10

Reserved

Exhibit B

Employee Matters Agreement

AMENDMENT NO. 1 TO THE SEPARATION AGREEMENT

This Amendment No. 1 (this "Amendment"), dated as of September [24], 2012 and effective as of December 4, 2011, amends the Separation Agreement, dated as of December 4, 2011 (the "Separation Agreement"), among Entergy Corporation, a Delaware corporation ("Entergy"), ITC Holdings Corp., a Michigan corporation ("ITC"), Mid South TransCo LLC, a Delaware limited liability company and presently a Subsidiary of Entergy ("TransCo"), Entergy Arkansas, Inc., an Arkansas corporation and a Subsidiary of Entergy ("Arkansas OpCo"), Entergy Gulf States Louisiana, L.L.C., a Louisiana limited liability company and a Subsidiary of Entergy ("Gulf States OpCo"), Entergy Louisiana, LLC, a Texas limited liability company and a Subsidiary of Entergy ("Louisiana OpCo"), Entergy Mississippi, Inc., a Mississippi corporation and a Subsidiary of Entergy ("Mississippi OpCo"), Entergy New Orleans, Inc., a Louisiana corporation and a Subsidiary of Entergy ("New Orleans OpCo") and Entergy Texas, Inc., a Texas corporation and a Subsidiary of Entergy ("Texas OpCo" and, together with Arkansas OpCo, Gulf States OpCo, Louisiana OpCo, Mississippi OpCo and New Orleans OpCo, the "Utility OpCos") and Entergy Services, Inc., a Delaware corporation and Subsidiary of Entergy ("ESI"), each a "Party" and together, the "Parties." Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Separation Agreement.

WHEREAS, the Parties hereto have entered into the Separation Agreement; and

WHEREAS, in accordance with Section 11.07 of the Separation Agreement, the Parties hereto wish to amend the Separation Agreement as set forth below.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements herein and intending to be legally bound, the Parties agree as follows:

i. The ninth "Whereas" clause in the Recitals is hereby and amended and restated in its entirety to read as follows:

"WHEREAS, for United States federal income tax purposes, the Parties intend that (i) the Internal Restructuring qualifies as one or more reorganizations pursuant to Section 368(a) of the Code that is tax-free to Entergy and the Entergy Group, (ii) the Entergy Contribution, taken together with the Distribution, qualifies as a reorganization pursuant to Sections 368(a)(1)(D) and 355 of the Code that is tax-free to Entergy, the Entergy shareholders, and TransCo, (iii) the Debt Exchange qualifies for tax-free treatment to Entergy pursuant to Section 361(c) of the Code and (iv) the execution of this Agreement and the Merger Agreement evidences plans of reorganization within the meaning of Section 368 of the Code and Treasury Regulation Section 1.368-2(g); and"

Exhibit I-2A

ii. Section 2.01(a) of the Separation Agreement is hereby amended (i) to replace the words “whereby such creditors agree to purchase” in the first sentence of the section with the words “who have purchased” and (ii) to delete the final sentence.

iii. Section 2.03 of the Separation Agreement is hereby amended to delete the words “a one (1) year term funded bridge facility” in the first sentence of the section and replace such words with the following: “one or more funded bridge facilities with a term of 366 days”.

iv. Section 3.05(a) of the Separation Agreement is hereby amended and restated in its entirety to read as follows:

(a) For purposes of this Agreement, “Transmission Assets” shall mean, in each case to the extent existing and owned or held immediately prior to the Separation Time by Entergy or any of its Subsidiaries, all of Entergy’s and its Subsidiaries’ respective right, title and interest in, to and under the following Assets:

(i) All Transmission Line Facilities. For purposes of this Agreement, “Transmission Line Facilities” means any and all electric transmission lines and other equipment located outside of a substation and operating at or above 69 kV together with related facilities, including (A) conductors (whether used for bulk transmission purposes or providing connection to generation sources, distribution facilities or retail or wholesale customers), (B) towers, poles, ducts and conduits associated with such conductors, (C) any other structure or Asset used exclusively for Transmission, (D) switching stations, (E) voltage control devices and power flow control devices, and (F) shield wire (but excluding any fiber optic communication lines contained in such shield wire);

(ii) All Transmission Substation Facilities. For purposes of this Agreement, “Transmission Substation Facilities” means any and all facilities and equipment located at a substation that are directly used for or exclusively in support of Transmission, including conductors, associated poles and towers, transformers, circuit breakers, switches, protective relays, static VAR compensators, Transmission Batteries other than Transmission Batteries that are included in the definition of Transmission Common Use Facilities, remote terminal units (RTUs), and related structures and control equipment. For substations that contain distribution function equipment (i.e., equipment operating below 69 kV), the dividing line between distribution equipment and equipment constituting Transmission Substation Facilities shall be the high voltage Transmission system side (at 69 kV or above) of the disconnect switch of the distribution transformer, unless such switch carries bulk electric system power flow under normal operating conditions in which case the dividing line shall be moved to the first point where the equipment constituting the dividing line does not carry bulk electric system power flow under normal operating conditions;

(iii) All Transmission Common Use Facilities. For purposes of this Agreement, “Transmission Common Use Facilities” means (A) any and all structures, equipment, facilities and other Assets (other than interests in real property) that (1) are located at a substation where three or more separate transmission lines running from

Exhibit I-2A

outside of such substation are interconnected within such substation and (2) are used in support of both Transmission and distribution functions within such substation and (B) Transmission Batteries that (1) are located at a substation where not more than two and not less than one transmission line running from outside of such substation are interconnected within such substation and used in support of both Transmission and distribution functions within such substation and (2) are located at a substation where three or more separate transmission lines running from outside of such substation are interconnected within such substation and such substation contains distribution function equipment (i.e., equipment operating below 69 kV) and used in support of both Transmission and distribution functions within such substation;

(iv) All Transmission Land Rights. For purposes of this Agreement, “Transmission Land Rights” means any and all real property rights (including all rights acquired by operation of law), whether through ownership in fee simple, easement, servitude, right of way, license, Permit, concession, condemnation, lease or otherwise (but excluding any Franchises, which are addressed by Section 3.05(a)(xxi)), by which a Utility OpCo or any other member of the Entergy Group owns, possesses, uses or otherwise occupies land (A) upon which a Transmission Line Facility is located, (B) upon which a substation containing Transmission Substation Facilities but no distribution function equipment (other than metering) is located, together with any and all real property rights appurtenant thereto and adjoining or adjacent real property, but excluding any adjoining or adjacent tracts of land, improvements and appurtenant real property rights held for (i) generation purposes, (ii) distribution purposes other than expansion of the substation or (iii) purposes other than Transmission purposes, (C) upon which a substation containing Transmission Substation Facilities and distribution function equipment is located where three (3) or more separate transmission lines running from outside of such substation are interconnected within such substation, together with any and all real property rights appurtenant thereto and adjoining or adjacent real property, but excluding any adjoining or adjacent tracts of land, improvements and appurtenant real property rights held for (i) generation purposes, (ii) distribution purposes other than expansion of the substation or (iii) purposes other than Transmission purposes, or (D) otherwise exclusively used or held exclusively for use or future use in the Transmission Business;

(v) All Transmission Control Facilities and Transmission Control Facility Rights. For purposes of this Agreement, “Transmission Control Facilities” means the facilities and buildings primarily containing Transmission Control System equipment and devices set forth on Schedule 3.05(a)(v)(1) and “Transmission Control Facility Rights” means a lease, sublease, easement or other similar contractual right to access and use the portion of the facilities and buildings primarily containing Transmission Control System equipment and devices set forth on Schedule 3.05(a)(v)(2) (for the term as set forth on such schedule);

(vi) The Transmission Control System. For purposes of this Agreement, “Transmission Control System” means:

Exhibit I-2A

(1) All control systems, data acquisition systems, and networking equipment necessary for the operation and control of the Transmission Line Facilities, the Transmission Substation Facilities and the Transmission Generation Interconnection Facilities (such systems and equipment, the “EMS”) exclusive of software which is addressed in paragraph (3);

(2) any additional computers, servers, systems and related equipment (including devices, sensors, communications links, routers, hubs, switches, firewalls and modems) that are used by a Utility OpCo exclusively in the operation and control of the Transmission Line Facilities, Transmission Substation Facilities or Transmission Generation Interconnection Facilities; and

(3) (A) all licenses of computer programs, software and applications (and related documentation) licensed by Entergy or its Subsidiaries and used exclusively in the operation of the EMS as of the Separation Time and (B) a royalty-free license effective as of the Separation Time to use (1) the computer programs, software and applications (and related documentation) owned by Entergy or its Subsidiaries that are used exclusively in the operation of the EMS as of the Separation Time and (2) any other computer programs, software and applications (and related documentation) owned or licensed by Entergy or its Subsidiaries that are used in the operation of the EMS as of the Separation Time; provided that with respect to any such computer programs, software and applications (and related documentation) licensed by Entergy or its Subsidiaries from a third party that are not transferable or sublicensable, Entergy, the Utility OpCos and ESI shall only be obligated to use commercially reasonable efforts to achieve the license of such computer programs, software and applications to TransCo or a TransCo Sub as applicable, and any external cost of achieving any such license shall be paid by TransCo (all such computer programs, software and applications (and related documentation) licensed to TransCo or a TransCo Sub pursuant to this paragraph (3) collectively, the “Licensed IP”);

(vii) the real property set forth on Schedule 3.05(a)(vii), together with all buildings, fixtures, structures and improvements erected or located on such real property (the “TransCo Real Property”);

(viii) the rights and interests of the Utility OpCos (as applicable) under the leases set forth on Schedule 3.05(a)(viii) to the premises listed on Schedule 3.05(a)(viii) (the “Leased Premises”);

(ix) all of the office equipment (including personal computers), furnishings and other tangible assets located at any TransCo Real Property, the Leased Premises, the Transmission Control Facilities, and the premises described in the Transmission Control Facility Rights in each case as allocated in the manner described on Schedule 3.05(a)(ix);

Exhibit I-2A

(x) (A) all the office equipment (including personal computers), furnishings and other tangible assets (to the extent not covered by Section 3.05(a)(ix)) and (B) all the machinery, equipment, tools and vehicles, in each case as used in the operation of the Transmission Assets and as allocated in the manner described on Schedule 3.05(a)(x);

(xi) all of the Permits (excluding Franchises (which are subject to Section 3.05(a)(xxi)) granted to Entergy or any of its Subsidiaries that are primarily used or held for use in the Transmission Business (the “Transferable Permits”); provided, that, the obligation to convey the Transferable Permits shall be subject to Section 3.10(a);

(xii) all rights to causes of action, lawsuits, judgments, claims (including insurance claims), counterclaims or demands of Entergy, its Affiliates or any member of the TransCo Group against a Person other than ITC or its Affiliates to the extent such causes of action, lawsuits, judgments, claims, counterclaims or demands relate to the Transmission Assets or the Transmission Liabilities; provided, that any causes of action, lawsuits, judgments, claims, counterclaims or demands shall be assigned to TransCo without warranty or recourse (other than pursuant to this Agreement, the Merger Agreement or any Ancillary Agreement);

(xiii) all inventories of materials, parts, raw materials, packaging materials, supplies, work-in-process, goods in transit and finished goods and products that are primarily used or held for primary use in the Transmission Business;

(xiv) (A) all licenses of Intellectual Property Rights by Entergy or its Subsidiaries that are exclusively used in the Transmission Business as of the Separation Time, and (B) a royalty-free license effective as of the Separation Time to use all other Intellectual Property Rights (1) owned by Entergy or its Subsidiaries that are used in the Transmission Business and (2) licensed by Entergy or its Subsidiaries that are used in the Transmission Business, as of the Separation Time (the “TransCo IP”). For the avoidance of doubt, software licensed by Entergy or its Subsidiaries from third parties and not used in the Transmission Business shall not constitute TransCo IP; provided that with respect to any Intellectual Property Rights licensed by Entergy or its Subsidiaries from a third party that are not transferable or sublicensable, Entergy, the Utility OpCos and ESI shall only be obligated to use commercially reasonable efforts to achieve the license of such Intellectual Property Rights to TransCo or a TransCo Sub as applicable, and any external cost of achieving any such license shall be paid by TransCo;

(xv) all warranties pertaining to the Transmission Assets;

(xvi) (A) the rights and interests related to Transmission under any Contract that is related to the Transmission Business and any other business function of Entergy or its Subsidiaries, in each case, to which Entergy, TransCo or any member of their respective Groups is a Party or by which it or any of its Assets is bound (each a “Multifunction Contract”); (B) any other Contract not involving real property rights that is primarily related to the Transmission Business, in each case, to which Entergy, TransCo or any member of their respective Groups is a Party or by which it or any of its

Exhibit I-2A

Assets is bound, except for any such Contract that is explicitly retained by Entergy or any member of the Entergy Group pursuant to any provision of this Agreement or any Ancillary Agreement; (C) any Contract that permits a third party to attach its facilities to the Transmission Line Facilities, Transmission Substation Facilities or Transmission Generation Interconnection Facilities; and (D) all Collective Bargaining Agreements (collectively, the “TransCo Contracts”) and all interests, rights, claims and benefits of Entergy and any of its Subsidiaries pursuant to and associated with the TransCo Contracts;

(xvii) (A) all business records primarily related to the Transmission Assets or Transmission Liabilities, including the corporate or limited liability company minute books and related stock records of the members of the TransCo Group, all North American Electric Reliability Corporation compliance records, information and records used to demonstrate compliance with reliability standards for Transmission and any other compliance records related to the Transmission Business, (B) all of the separate financial and property tax records of the members of the TransCo Group that do not form part of the general ledger of Entergy or any of its Affiliates (other than the members of the TransCo Group), (C) all other books, records, ledgers, files, documents, correspondence, lists, plats, drawings, photographs, product literature (including historical), equipment test records, advertising and promotional materials, distribution lists, customer lists, supplier lists, studies, reports, operating, production and other manuals, manufacturing and quality control records and procedures, research and development files, accounting and business books, records, files, documentation and materials, in all cases whether in paper, microfilm, microfiche, computer tape or disc, magnetic tape or any other form, that are primarily related to the Transmission Business and (D) with respect to TransCo Employees and subject to any applicable collective bargaining obligations, performance reviews in respect of the period while employed by a member of the TransCo Group, Forms I-9 and W-4, service credit records, vacation and other leave accrual/balance records, and employee benefit election records in effect as of Closing (collectively, the “TransCo Books and Records”); provided, however, that (x) Entergy shall be entitled to retain a copy of any and all TransCo Books and Records to the extent such specific materials are not exclusively related to the Transmission Business, which shall be subject to the provisions of Article IV and deemed the Confidential Information of TransCo and subject to the provisions of Article VII and (y) neither clause (A) nor clause (C) shall be deemed to include any books, records or other items or portions thereof that are subject to restrictions on transfer pursuant to applicable Laws regarding personally identifiable information or Entergy’s privacy policies regarding personally identifiable information or with respect to which transfer would require any Governmental Approval under applicable Law, unless such records are required to be transferred to TransCo under applicable Law; and (z) Entergy may retain any materials in clauses (A) and (C) that are not reasonably practicable to identify and extract subject to the right of access pursuant to Section 7.02, provided that such retained materials shall be deemed Confidential Information of TransCo and subject to the provisions of Article VII;

(xviii) all goodwill of the Transmission Business;

(xix) the right to enforce the confidentiality provisions of any confidentiality, non-disclosure or other similar Contracts to the extent related to Confidential Information of the Transmission Business and rights to enforce the assignment provisions of any Contract;

(xx) a copy of any database containing records related to Transmission Land Rights, TransCo Real Property or the Leased Premises;

(xxi) all Franchises to the extent any such Franchise relates exclusively to the Transmission Business and, subject to the limitations on the obligation to convey pursuant to Section 3.10(c), any rights under any Franchises that do not exclusively relate to the Transmission Business;

(xxii) cash in an amount equal to sum of the following, plus any interest accrued thereon (the "Transactional Cash"):

(1) all customer deposits held by any member of the Entergy Group that are related to the provision of Transmission service, construction of Transmission or any provision under Entergy's OATT (collectively, "Customer Deposits");

(2) all customer payments that are exclusively for Transmission Assets or service, or the pro-rata portion that is not for distribution assets or service; and Transmission customer payments for specific customer funded projects (other than that portion specifically for the tax gross up component); and

(3) accounts payable relating to the construction or investment in the Transmission Assets as of the Effective Time, excluding any accounts payable in respect of expenses, including operating and maintenance and general and administrative expenses (collectively, "Assumed AP");

(xxiii) all rights of the TransCo Group under this Agreement and the Merger Agreement or any Ancillary Agreement and the certificates, instruments and Transfer Documents delivered in connection therewith;

(xxiv) cash in an amount equal to any unpaid interest on the Entergy Exchangeable Debt that is accrued on or before the Effective Time but not paid until after the Effective Time;

(xxv) all Transmission Generation Interconnection Facilities. For purposes of this Agreement, "Transmission Generation Interconnection Facilities" means any and all electric lines operating at 69 kV or above (together with related equipment and facilities) for the interconnection of the Transmission Line Facilities and Transmission Substation Facilities to the Entergy Group generation facilities. The dividing line between Transmission Generation Interconnection Facilities and the Entergy Group generation facilities shall be determined in accordance with the methodology set forth on Schedule 3.05(a)(xxv); and

Exhibit I-2A

(xxvi) any and all other Assets owned or held immediately prior to the Separation Time by Entergy or any of its Subsidiaries that are exclusively (x) used in, (y) held for use or future use in or (z) related to, the Transmission Business that are not Excluded Assets.

v. Section 3.05(b) of the Separation Agreement is hereby amended and restated in its entirety to read as follows:

(b) Notwithstanding Section 3.05(a), the Transmission Assets shall not in any event include any of the following Assets (the “Excluded Assets”):

(i) fiber optic communications lines (including the lines enclosed in shield wire that is a part of the Transmission Assets) and microwave communications systems (and related equipment and facilities) located on Transmission Line Facilities and owned or leased by Entergy and its Affiliates;

(ii) meters and instrument transformers exclusively for metering;

(iii) all cash and cash equivalents (including storm reserves and investments and securities but excluding any capital stock or other equity interest in any member of the TransCo Group), bank or other deposit accounts, accounts, receivable and any income, sales, payroll or other tax receivables of Entergy and its Affiliates, other than Transactional Cash;

(iv) the Intellectual Property Rights listed on Schedule 3.05(b)(iv), and any other Intellectual Property Rights in or to which any member of the Entergy Group has any right, title or interest, except the TransCo IP and the Licensed IP;

(v) any compensation, payment or other relief related to a condemnation or taking by eminent domain of any Transmission Asset in an Action settled, consented to or finally adjudicated prior to the Separation Time; provided, that an underlying Action shall be considered finally adjudicated when an order determining any compensation, payments or other relief to be paid with respect to such Action has been issued by a court of competent jurisdiction and has become nonappealable;

(vi) customer payments that are exclusively for distribution assets or service, or the pro-rata portion that is not for Transmission Assets or service; and Transmission customer payments specifically for the tax gross up component for specific customer funded projects;

(vii) (A) The employment and personnel records of Entergy’s and its Affiliates’ employees that are not TransCo Employees and (B) any employment and personnel records of the TransCo Employees the transfer of which is prohibited by collective bargaining obligations;

(viii) all rights to insurance policies or practices of Entergy and its Affiliates (including any captive insurance policies, fronted insurance policies, surety bonds or corporate insurance policies or practices, or any form of self-insurance

Exhibit I-2A

whatsoever), any refunds paid or payable in connection with the cancellation or discontinuance of any such policies or practices, and any claims made under such policies;

(ix) for the avoidance of doubt, all equipment and facilities exclusively used for the movement of electricity to customers and having nominal voltages below 69 kV;

(x) all rights to causes of action, lawsuits, judgments, claims, counterclaims or demands of Entergy, its Affiliates or any member of the TransCo Group against a party other than ITC or its Affiliates to the extent that they do not relate to the Transmission Assets or the Transmission Business;

(xi) all financial and Tax records relating to the Transmission Business that form part of the general ledger of Entergy or any of its Affiliates (other than the members of the TransCo Group), any working papers of Entergy's auditors, and any other Tax records (including accounting records) of Entergy or any of its Affiliates (other than the members of the TransCo Group); provided that TransCo shall in all events be entitled to copies of any such books and records to the extent related to the Transmission Business or the Transmission Assets;

(xii) any Federal Communications Commission licenses held by any member of the Entergy Group;

(xiii) other than rights to enforce the confidentiality provisions of any confidentiality, non-disclosure or other similar Contracts to the extent related to confidential information of the Transmission Business, all records relating to the negotiation and consummation of the transactions contemplated by this Agreement and all records prepared in connection with the potential divestiture of all or a part of the Transmission Business, including (A) bids received from third parties and analyses relating to such transactions and (B) confidential communications with legal counsel representing Entergy or its Affiliates and the right to assert the attorney-client privilege with respect thereto;

(xiv) all other Permits of Entergy or its Affiliates other than Transferable Permits;

(xv) any and all Assets that are expressly specified by this Agreement or any Ancillary Agreement as Assets to be retained by Entergy or any other member of the Entergy Group;

(xvi) all rights to furnish retail electric service in the State of Louisiana under the 300 Foot Rule that are associated, as of the Separation Time, with the Transmission Line Facilities, which rights are reserved by and unto Gulf States OpCo and Louisiana OpCo (and their respective successors and assigns);

(xvii) any and all electric lines and other equipment together with related equipment and facilities that are located (A) outside of a substation and operating at or

above 69 kV and (B) on the generation side of the dividing line between Transmission Generation Interconnection Facilities and the generation equipment as determined pursuant to Section 3.05(a)(xxv);

(xviii) light fixtures and related support equipment located on Transmission Line Facilities to provide lighting service to customers pursuant to applicable retail tariffs and owned by Entergy and its Affiliates; and

(xix) other than any Asset specifically listed or described in Section 3.05(a) or the Schedules thereto, any and all Assets of Entergy or its Affiliates that are exclusively used, held for exclusive use in, or exclusively related to, businesses of Entergy other than the Transmission Business.

The Parties acknowledge and agree that, except for such rights as are otherwise expressly provided in this Agreement, the Merger Agreement or any Ancillary Agreements, neither TransCo nor any of the TransCo Subs shall acquire or be permitted to retain any right, title or interest in any Excluded Assets through the Conveyance of all of the authorized and outstanding equity interests in the TransCo Subs and that if any of the TransCo Subs owns, leases or has the right to use any such Excluded Assets, such Excluded Assets shall be Conveyed to Entergy as contemplated by Section 3.03.

vi. Section 3.06(a)(iii) of the Separation Agreement is hereby amended to delete each reference to Section 3.06(b)(ix) and replace each such reference with “Section 3.06(b)(x)”.

vii. Section 3.06(b)(ii) of the Separation Agreement is hereby amended to delete the reference to Section 3.05(a)(iv) and replace such reference with “Section 3.06(a)(ii) and Section 3.06(a)(iii)”.

viii. Section 3.06(b)(x) of the Separation Agreement is hereby amended to delete the reference to Section 3.05(a)(iv) and replace such reference with “Section 3.06(a)(iii)”.

ix. Section 4.02(a) of the Separation Agreement is hereby amended and restated in its entirety to read as follows:

(a) Agreements to be Delivered by Entergy. On the Separation Date, Entergy shall deliver, or shall cause its appropriate Subsidiaries to deliver, to TransCo all of the following instruments:

(i) all Transfer Documents as described in Section 4.04 and Section 4.05;

(ii) the Generation Interconnection Agreements, substantially in the form attached hereto as Exhibit A (the “Generation Interconnection Agreement”), duly executed by the members of the Entergy Group party thereto;

(iii) the Distribution Transmission Interconnection Agreements, substantially in the form attached hereto as Exhibit B (the “Distribution-

Transmission Interconnection Agreement”), duly executed by the members of the Entergy Group party thereto;

(iv) the Transition Services Agreements, substantially in the form attached hereto as Exhibit C (the “Transition Services Agreements”), duly executed by members of the Entergy Group party thereto;

(v) the Software/IP License Agreement, substantially in the form attached hereto as Exhibit D (the “Software/IP License Agreement”), duly executed by members of the Entergy Group party thereto;

(vi) the Transmission Structure Attachment Agreement for Telecommunications Facilities, substantially in the form attached hereto as Exhibit E (the “Telecom Agreement”), duly executed by members of the Entergy Group party thereto;

(vii) the Pole Attachment Agreement for Electric Distribution Facilities, substantially in the form attached hereto as Exhibit F (the “Joint Use / Pole Attachment Agreement”), duly executed by members of the Entergy Group party thereto;

(viii) the License to Use Premises, substantially in the form attached hereto as Exhibit G (the “Data Center Occupancy License”), duly executed by the members of the Entergy Group party thereto;

(ix) the Real Estate Occupancy License, substantially in the form attached hereto as Exhibit H (the “Real Estate Occupancy License”), duly executed by the members of the Entergy Group party thereto; and

(x) any other Ancillary Agreements to which the Parties mutually agree.

x. Section 8.08 of the Separation Agreement is hereby amended to delete the reference to Section 4.01(a) and replace such reference with “Section 4.02(a)” and to delete the words “Facilities Charge Agreement”.

xi. Section 8.10 of the Separation Agreement is hereby amended to remove and replace the figure “thirty (30)” with “forty-five (45)”.

xii. The Separation Agreement is hereby amended to add a new Section 8.11 to read as follows:

Section 8.11. Special Provision for Transmission Generation Interconnection Facilities. During the period beginning on the date of this Agreement and ending on the third anniversary of the Separation Date, in the event FERC determines in a final

Exhibit I-2A

order not subject to further rehearing at FERC (“Rate Recovery Final Order”) that the applicable TransCo Sub may not recover in rates the operating and maintenance expenses, and retirement, replacement or capital improvement costs with respect to all or any portion of the Transmission Generation Interconnection Facilities, then (i) in the event the Rate Recovery Final Order is issued prior to the Separation Date, (A) the applicable Utility OpCo shall take commercially reasonable efforts to account for the transfer of the Transmission Generation Interconnection Facilities that cannot be recovered in the TransCo Sub’s rates in a manner approved by FERC, including transferring such Transmission Generation Interconnection Facilities at zero net book value and reclassifying the cost of the Transmission Generation Interconnection Facilities to other accounts, and taking other actions as directed by FERC, and (B) each of ITC and the applicable Utility OpCo shall negotiate in good faith an agreement pursuant to which the applicable Utility OpCo will pay the applicable TransCo Sub for the reasonable operation and maintenance expenses, and retirement, replacement or capital improvement costs associated with the Transmission Generation Interconnection Facilities that cannot be recovered in the TransCo Sub’s rates and (ii) in the event the Rate Recovery Final Order is issued after the Separation Date, each of the applicable TransCo Sub and the applicable Utility OpCo shall negotiate in good faith an agreement pursuant to which the applicable Utility OpCo will pay applicable TransCo Sub a facilities charge for the use of the Transmission Generation Interconnection Facilities, calculated to approximate the revenue requirement that the TransCo Sub would have recovered for the Transmission Generation Interconnection Facilities under its applicable formula rate, as well as retirement, replacement or capital improvement costs associated with the Transmission Generation Interconnection Facilities and future operating expenses of the replacement facilities that cannot be recovered in the TransCo Sub’s rates. Notwithstanding anything contained in Section 5.13 of the Merger Agreement to the contrary, Entergy and its Affiliates may oppose, contest, challenge or file any complaint before FERC with regard to the recovery in rates of the operating and maintenance expenses, and retirement, replacement or capital improvement costs with respect to all or any portion of the applicable Transmission Generation Interconnection Facilities if ITC or any member of the ITC Group asserts or takes the position in a proceeding before FERC that such Transmission Generation Interconnection Facilities cannot be or should not be recovered in the TransCo Sub’s rates.

xiii. Section 11.14 of the Separation Agreement is hereby amended and restated in its entirety to read as follows:

Section 11.14 Plans of Reorganization.

(a) This Agreement shall constitute a “plan of reorganization” under Treasury Regulation Section 1.368-2(g) for each Utility Merger.

(b) This Agreement and the Merger Agreement together shall constitute a “plan of reorganization” under Treasury Regulation Section 1.368-2(g) for the Entergy Contribution and the Distribution.

xiv. Section 12.01 of the Separation Agreement is hereby amended as follows:

(a) To add the following definition before the definition of “Action”:

“300 Foot Rule” means the rights and prohibitions set forth in La. Rev. Stat. § 45:123 and the Louisiana Public Service Commission’s General Order dated October 6, 2005.

(b) To amend and restate the definition of “Ancillary Agreements” in its entirety to read as follows:

“Ancillary Agreements” means the Registration Rights Agreement, the Trust Agreement, the Employee Matters Agreement, the Transition Services Agreements, the Generation Interconnection Agreements, the Distribution-Transmission Interconnection Agreement, the Telecom Agreement, the Software/IP License Agreement, the Joint Use / Pole Attachment Agreement, the Data Center Occupancy License and the Real Estate Occupancy License and any other agreements mutually agreed to by the Parties pursuant to Section 4.02(a)(x).

(c) To add the following definition after the definition of “Customer Deposits”:

“Data Center Occupancy License” has the meaning set forth in Section 4.2(a)(viii).

(d) To delete the definition of “Facilities Charge Agreement”.

(e) To add the following definitions after the definition of “Purchased Exchangeable Debt”:

“Rate Recovery Final Order” has the meaning set forth in Section 8.11.

“Real Estate Occupancy License” has the meaning set forth in Section 4.02(a)(ix).

(f) To amend and restate the definition of “TransCo Subs” in its entirety to read as follows:

“TransCo Subs” means Transmission Company Arkansas LLC, a Michigan limited liability company (“AR Wires”), Transmission Company Louisiana I LLC, a Michigan limited liability company (“LA 1 Wires”), Transmission Company II LLC, a Michigan limited liability company (“LA 2 Wires”),

Exhibit I-2A

Transmission Company Mississippi LLC., a Michigan limited liability corporation (“MS Wires”), Transmission Company New Orleans LLC., a Michigan limited liability corporation (“NOLA Wires”) and Transmission Company Texas LLC, a Michigan limited liability corporation (“TX Wires”).

(g) To add the following definition after the definition of “Transmission Assets”:

“Transmission Batteries” means the substation battery sets and the related equipment including battery chargers, battery racks, battery monitors, and battery alarm systems that serve Transmission protection systems or Transmission special protection systems which are subject to “reliability standards” approved by (i) the FERC under section 215 of the FPA, or (ii) another Governmental Authority with jurisdiction over substation battery sets and related equipment, as applicable for transmission owners.

(h) To add the following definition after the definition of “Real Property Interests”:

“Registration Rights Agreement” has the meaning given to such term in the Merger Agreement.

(i) To add the following definition after the definition of “Transmission Substation Facilities”:

“Trust Agreement” has the meaning given to such term in the Merger Agreement.

(j) To add the following definition after the definition of “Transmission Formula Rate”:

“Transmission Generation Interconnection Facilities” has the meaning set forth in Section 3.05(a)(xxv).

xv. New Exhibits. The Separation Agreement is hereby amended and supplemented to add new exhibits to the Separation Agreement the exhibits attached hereto as Exhibits A through H.

xvi. Schedules. The Schedules to the Separation Agreement are hereby amended, restated and supplemented as follows: (a) Section 1.02 of the Schedules to the Separation Agreement is hereby amended and restated in its entirety to read as shown on Exhibit I hereto and (b) Section 3.05(a)(xxv) as shown on Exhibit J hereto is hereby added to the Schedules to the Separation Agreement.

xvii. No Other Amendments or Supplements to the Separation Agreement. On and after the date hereof, each reference in the Separation Agreement to “this Agreement”, “herein”, “hereof”, “hereunder” or words of similar import shall mean and be a reference to the Separation Agreement as amended and supplemented hereby. Except as otherwise expressly provided

herein, all of the terms and conditions of the Separation Agreement shall remain unchanged and continue in full force and effect.

xviii. Other Miscellaneous Terms. The provisions of Article XI (Miscellaneous) of the Separation Agreement shall apply mutatis mutandis to this Amendment, and to the Separation Agreement as modified by this Amendment, taken together as a single agreement, reflecting the terms therein as modified hereby.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the Parties hereto has caused this Amendment to be executed as of the date first above written.

ENTERGY CORPORATION

By: _____
Name:
Title:

MID SOUTH TRANSCO LLC

By: _____
Name:
Title:

ENTERGY ARKANSAS, INC.

By: _____
Name: Hugh T. McDonald
Title: President and Chief Executive Officer

ENTERGY GULF STATES LOUISIANA, L.L.C.

By: _____
Name: William M. Mohl
Title: President and Chief Executive Officer

ENTERGY LOUISIANA LLC

By: _____
Name: William M. Mohl
Title: President and Chief Executive Officer

Exhibit I-2A

ENTERGY MISSISSIPPI, INC.

By: _____
Name: Haley R. Fisackerly
Title: President and Chief Executive Officer

ENTERGY NEW ORLEANS, INC.

By: _____
Name: Charles L. Rice, Jr.
Title: President and Chief Executive Officer

ENTERGY TEXAS, INC.

By: _____
Name: Sallie Rainer
Title: President and Chief Executive Officer

ENTERGY SERVICES, INC.

By: _____
Name:
Title:

ITC HOLDINGS CORP.

By: _____
Name:
Title:

Exhibit A

FORM OF GENERATION INTERCONNECTION AGREEMENT

Exhibit B

FORM OF DISTRIBUTION-TRANSMISSION INTERCONNECTION AGREEMENT

Exhibit C

FORM OF TRANSITION SERVICES AGREEMENT¹

¹ NTD: Both agreements will be included in this exhibit.

Exhibit D

FORM OF SOFTWARE/IP LICENSE AGREEMENT

Exhibit E

FORM OF TRANSMISSION STRUCTURE ATTACHMENT AGREEMENT FOR
TELECOMMUNICATIONS FACILITIES

Exhibit F

FORM OF POLE ATTACHMENT AGREEMENT FOR ELECTRIC DISTRIBUTION
FACILITIES

Exhibit G

FORM OF DATA CENTER OCCUPANCY LICENSE

Exhibit H

FORM OF REAL ESTATE OCCUPANCY LICENSE

EXECUTION COPY

MERGER AGREEMENT

among

ENERGY CORPORATION,

MID SOUTH TRANSCO LLC,

ITC HOLDINGS CORP.

and

IBIS TRANSACTION SUBSIDIARY LLC

dated as of

December 4, 2011

TABLE OF CONTENTSPage

ARTICLE I

TRANSACTIONS

Section 1.01	Closing	2
Section 1.02	Initial Issuance of TransCo Common Units	3
Section 1.03	The Distribution; Special Dividend and Share Repurchase	5
Section 1.04	Plan of Reorganization	7
Section 1.05	The Merger	7
Section 1.06	Effects of the Merger	8
Section 1.07	Certificate of Formation and Limited Liability Company Agreement of the Surviving Company; Managers and Officers of the Surviving Company	8
Section 1.08	Board of Directors of ITC and Management Appointees	8
Section 1.09	Effect on Equity Interests	9
Section 1.10	Exchange of Certificates	10
Section 1.11	Exchange Procedures	10
Section 1.12	No Further Ownership Rights in TransCo Common Units	11
Section 1.13	No Fractional Shares	11
Section 1.14	Distributions with Respect to Unexchanged Shares	12
Section 1.15	Withholding Rights	12
Section 1.16	Termination of Exchange Fund	12
Section 1.17	No Liability	12
Section 1.18	Post-Merger Operations	12
Section 1.19	Dissenters Rights	13
Section 1.20	Exchange Trust	13

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF ENTERGY

Section 2.01	Due Organization, Good Standing and Corporate Power	14
Section 2.02	Authorization of Agreement	15
Section 2.03	Capital Structure	15
Section 2.04	Consents and Approvals; No Violations	16
Section 2.05	Financial Information; Absence of Changes	17
Section 2.06	Information to be Supplied	19
Section 2.07	Litigation	19
Section 2.08	Compliance with Laws; Permits	19
Section 2.09	Contracts	20
Section 2.10	Employees and Employee Benefits; Labor	21
Section 2.11	Title to Transmission Assets; Sufficiency of Assets	24
Section 2.12	Environmental Matters	25

Section 2.13	Taxes	26
Section 2.14	Regulatory	26
Section 2.15	Intellectual Property Related to the Transmission Business	27
Section 2.16	Insurance	27
Section 2.17	Broker’s or Finder’s Fee	28
Section 2.18	Real Property.	28
Section 2.19	No Other Representations or Warranties	29

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF ITC

Section 3.01	Due Organization, Good Standing and Corporate Power	29
Section 3.02	Authorization of Agreement	29
Section 3.03	Capitalization	30
Section 3.04	Consents and Approvals; No Violations	31
Section 3.05	ITC SEC Filings; Financial Statements; Absence of Changes	32
Section 3.06	Information to be Supplied	33
Section 3.07	Voting Requirements; Approval; Board Approval	34
Section 3.08	Litigation	34
Section 3.09	Compliance with Laws; Permits	34
Section 3.10	Contracts.....	35
Section 3.11	Employees and Employee Benefits; Labor	36
Section 3.12	Title to Assets	38
Section 3.13	Environmental Matters.....	38
Section 3.14	Taxes	39
Section 3.15	Regulatory	40
Section 3.16	Intellectual Property Rights.....	41
Section 3.17	Insurance	41
Section 3.18	Broker’s or Finder’s Fee	41
Section 3.19	Opinion of Financial Advisors	41
Section 3.20	Real Property.	42
Section 3.21	No Other Representations or Warranties	42

ARTICLE IV

Interim Operating Covenants

Section 4.01	Conduct of Transmission Business Pending the Closing.....	43
Section 4.02	Conduct of ITC Pending the Closing.....	48

ARTICLE V

COVENANTS

Section 5.01	Efforts to Close; Antitrust Clearance	52
Section 5.02	Public Announcements.....	57

Section 5.03	Financial Statements	57
Section 5.04	Access	58
Section 5.05	Preparation of SEC Filings	59
Section 5.06	ITC Shareholder Meeting	60
Section 5.07	No Solicitation by ITC	60
Section 5.08	No Solicitation by Entergy of Transmission Business.....	64
Section 5.09	NYSE Listing	64
Section 5.10	Required Amendments.....	64
Section 5.11	[Intentionally omitted]	64
Section 5.12	ITC Guarantee; Indemnification.....	64
Section 5.13	Non-Opposition	65
Section 5.14	Disclosure Controls.....	65
Section 5.15	Tax Matters.....	65
Section 5.16	Alternative Transaction Structures	66

ARTICLE VI

CONDITIONS

Section 6.01	Joint Conditions	67
Section 6.02	Conditions to the Obligation of ITC	67
Section 6.03	Conditions to the Obligation of Entergy	69

ARTICLE VII

TERMINATION AND ABANDONMENT

Section 7.01	Termination or Abandonment	70
Section 7.02	Effect of Termination.....	72

ARTICLE VIII

MISCELLANEOUS

Section 8.01	Survival of Representations, Warranties and Agreements.....	73
Section 8.02	Expenses	74
Section 8.03	Entire Agreement	74
Section 8.04	Governing Law	74
Section 8.05	Specific Performance; Jurisdiction	75
Section 8.06	Waiver of Jury Trial.....	76
Section 8.07	Notices.....	76
Section 8.08	Amendments and Waivers.....	78
Section 8.09	No Third-Party Beneficiaries.....	78
Section 8.10	Assignability; Binding Effect	78
Section 8.11	Construction; Interpretation.....	78
Section 8.12	Severability	79
Section 8.13	Counterparts.....	79

Section 8.14 Disclosure Letters 79

ARTICLE IX

DEFINITIONS

Section 9.01 Definitions 80

MERGER AGREEMENT

This Merger Agreement (this “Agreement”), dated as of December 4, 2011, is among Entergy Corporation, a Delaware corporation (“Entergy”), Mid South TransCo LLC, a Delaware limited liability company and presently a wholly owned Subsidiary of Entergy (“TransCo”), ITC Holdings Corp., a Michigan corporation (“ITC”), and Ibis Transaction Subsidiary LLC, a Delaware limited liability company and a direct wholly owned Subsidiary of ITC (“Merger Sub”).

RECITALS

WHEREAS, Entergy is engaged, through the Utility OpCos, in the Transmission Business;

WHEREAS, the Board of Directors of Entergy has determined that it is advisable and in the best interests of Entergy and its shareholders to separate the Transmission Business from Entergy and to divest the Transmission Business in the manner contemplated hereby and by the Separation Agreement;

WHEREAS, the Parties contemplate that the Transmission Business shall be transferred to TransCo as provided in the Separation Agreement and, in connection therewith, the Financings shall take place;

WHEREAS, the Parties contemplate that, following the Financings and immediately following the TransCo Transfer, Entergy shall consummate the disposition of one hundred percent (100%) of the TransCo Common Units to its shareholders (the “Distribution”) either (i) through a dividend of TransCo Common Units to Entergy shareholders on a *pro rata* basis (a “Spin-Off”) or (ii) through an offer to exchange (an “Exchange Offer”) TransCo Common Units for currently outstanding shares of Entergy’s common stock (“Entergy Common Stock”), or a combination of a Spin-Off and Exchange Offer as Entergy may elect in its sole discretion;

WHEREAS, in the event that Entergy’s shareholders subscribe for less than all of the TransCo Common Units offered in the Exchange Offer, Entergy shall distribute, *pro rata* to its shareholders, any unsubscribed TransCo Common Units immediately following the consummation of the Exchange Offer (the “Clean-Up Spin-Off”);

WHEREAS, the Parties contemplate that on or about the Distribution Date, Entergy shall cause the Entergy Exchangeable Debt, if any, to be exchanged for the TransCo Securities for the purpose of facilitating the establishment of the appropriate liquidity and capital structure for each of Entergy and TransCo;

WHEREAS, the Parties contemplate that Merger Sub shall be merged with and into TransCo, with TransCo surviving the Merger as a wholly owned subsidiary of ITC, such Merger to take place immediately following the Distribution, on the terms and subject to the conditions set forth in this Agreement and in accordance with the DLLCA;

WHEREAS, the Board of Directors of Entergy has (i) determined that it is advisable and in the best interests of Entergy and its shareholders, and declared it advisable, to enter into this Agreement and to consummate the Transactions and (ii) approved the execution, delivery and performance of this Agreement and the consummation of the Transactions;

WHEREAS, Entergy or its relevant Subsidiary, as the sole member of TransCo, has adopted this Agreement and approved the execution, delivery and performance of this Agreement and the consummation of the Transactions;

WHEREAS, the Board of Directors of ITC has (i) determined that it is advisable, fair to and in the best interests of ITC and its shareholders, and declared it advisable, to enter into this Agreement and to consummate the applicable Transactions, (ii) approved the execution, delivery and performance of this Agreement and the consummation of the applicable Transactions and (iii) resolved, subject to the terms of this Agreement, to recommend to its shareholders approval of the Merger, the ITC Stock Issuance and the Charter Amendment;

WHEREAS, ITC or its relevant Subsidiary, as the sole member of Merger Sub, has approved this Agreement and the Transactions applicable to Merger Sub;

WHEREAS, for United States federal income tax purposes, the Parties intend that the Merger qualifies as a “reorganization” pursuant to Section 368 of the Code; and

WHEREAS, Entergy, TransCo, ITC and Merger Sub desire to make certain representations, warranties, covenants and agreements specified herein in connection with the Transactions, and also to prescribe certain conditions to the Transactions.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements contained herein, and intending to be legally bound hereby, Entergy, TransCo, ITC and Merger Sub agree as follows:

ARTICLE I

TRANSACTIONS

Section 1.01 Closing. On the terms and subject to the conditions set forth in this Agreement, the consummation of the Merger (the “Closing”) shall take place at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 1440 New York Avenue, NW, Washington, DC 20005, at 10:00 a.m., local time on the fifth Business Day following satisfaction or waiver (to the extent permitted by applicable Law) of the conditions to Closing set forth in Article VI (other than those conditions, including the Distribution, that by their nature or pursuant to the terms of this Agreement are to be satisfied at or immediately prior to the Closing, but subject to the satisfaction or, where permitted, the waiver of those conditions), or at such other date, time or place as Entergy and ITC may mutually agree. The date on which the Closing occurs is referred to as the “Closing Date.”

Section 1.02 Initial Issuance of TransCo Common Units.

(a) As contemplated by Section 1.06 of the Separation Agreement and subject to adjustment as provided in Section 1.02(c), in partial consideration for the transfer of Assets contemplated by Section 3.01 of the Separation Agreement (including the Entergy Contribution), TransCo will issue and deliver to Entergy a number of TransCo Common Units equal to the sum of the following:

(i) (A) 1.00400801603206 (the “Initial Issuance Exchange Ratio”), multiplied by the number of shares of ITC Common Stock on a Fully Diluted Basis, minus (B) the number of TransCo Common Units outstanding immediately prior to the issuance of TransCo Common Units pursuant to this Section 1.02, plus

(ii) the quotient of the Aggregate Disqualified Shares Number *divided by* 49.9%, as calculated pursuant to Section 1.02(c) of the ITC Disclosure Letter (which details the calculation as of the date of this Agreement); provided, however, in no event shall the number of TransCo Common Units issued pursuant to this Section 1.02(a)(ii) exceed an amount that would result, pursuant to Section 1.02(c), in the Transaction Maximum Principal Amount being reduced in an amount in excess of \$100 million.

(b) For purposes of this Agreement:

(i) “Fully Diluted Basis” shall mean the Parties’ best estimate, mutually agreed in good faith, without duplication, of (A) the number of shares of ITC Common Stock that are outstanding as of the Closing Date, plus (B) (1) the number of restricted shares of ITC Common Stock and stock units outstanding as of the Closing Date and (2) the number of shares of ITC Common Stock issuable upon exercise of any options or rights of any nature, whatsoever, whether contingent, vested or unvested, or otherwise, both (1) and (2) to be based upon the treasury stock method, which shall include ITC restricted shares and the net of new ITC shares that would be issued if in-the-money ITC options were exercised and ITC used the proceeds from the exercise price to repurchase ITC shares at the Reference Price (for the avoidance of doubt, the assumed proceeds used to repurchase ITC shares will be limited to the amount, if any, that an employee must pay upon exercise) consistent with Section 1.02(b)(i) of the ITC Disclosure Letter (which details the calculation as of the date of this Agreement), in each case for clarification other than the shares of ITC Common Stock issued or to be issued in the Merger, including pursuant to the Employee Matters Agreement. The Parties’ binding estimate of the number of shares of ITC Common Stock on a Fully Diluted Basis shall be made on the Estimation Date using, for the purposes of the treasury stock method calculations, the Reference Price for the price of ITC Common Stock for all options and rights included in the calculation (for purposes of this estimate only).

(ii) “Estimation Date” means the nearest reasonably practicable date prior to the date on which the Exchange Offer is commenced (or prior to the last Trading Day that ends at least twenty (20) Trading Days prior to the date the Parties expect the Distribution Date to occur, if Entergy elects to effect the Distribution as a

Spin-Off) as mutually agreed in writing by the Parties, or such other date as may be reasonably agreed to by the Parties.

(iii) “Aggregate Disqualified Shares Number” means the Parties’ best estimate, mutually agreed in good faith, of the number of shares of ITC Common Stock issuable upon exercise to any TransCo Employees in connection with the conversion of Entergy stock options and restricted shares to ITC stock options and restricted shares as provided in Article VII of the Employee Matters Agreement and are reasonably likely to be treated as being issued as part of a plan or series of related events that would cause Code Section 355(e) to apply to the Distribution, and assuming, solely for purposes of this calculation, that the Equity Exchange Ratio (as such term is used in the Employee Matters Agreement) used for conversion of Entergy stock options and restricted shares is based on the Reference Price of ITC Common Stock and Entergy Common Stock (which assumption shall have no impact on the determinations of the Equity Exchange Ratio for all purposes under the Employee Matters Agreement).

(iv) “ITC Equity Value” means (A) the Reference Price *multiplied by* (B) the number of shares of ITC Common Stock on a Fully Diluted Basis *plus* the aggregate number of TransCo Common Units issued pursuant to Section 1.02(a)(i).

(v) “Additional TransCo Units” means the aggregate number of TransCo Common Units issued pursuant to Section 1.02(a)(ii).

(vi) “Value of the Additional TransCo Units” means (A) the Additional TransCo Units *multiplied by* (B) (1) the ITC Equity Value *divided by* (2) the number of shares of ITC Common Stock on a Fully Diluted Basis *plus* the aggregate number of TransCo Common Units issued pursuant to Section 1.02(a)(i) *plus* the Additional TransCo Units.

(vii) “Disqualified Shares Principal Reduction Amount” means (A) Value of the Additional TransCo Units *divided by* (B) 49.9%.

(c) As part of the Ruling Request, Entergy is seeking certain rulings with respect to the treatment under Section 355(e) of the Code of certain issuances of shares of ITC Common Stock to be issued to TransCo Employees in connection with the conversion of Entergy stock options and restricted shares into ITC stock options and restricted shares (any such shares to be issued or issuable upon exercise, the “TransCo Employee Shares”). The ruling requested would treat the TransCo Employee Shares as not having been acquired as ‘part of a plan (or series of related events)’ within the meaning of Code Section 355(e). In the event that Entergy does not receive the intended Ruling with respect to the TransCo Employee Shares and, after discussions with Entergy’s tax advisors (in consultation with ITC), Entergy reasonably determines as of the Estimation Date that any of the TransCo Employee Shares may be treated as being issued as part of a plan or series of related events that would cause Code Section 355(e) to apply to the Distribution (any such TransCo Employee Share, a “Disqualified Share”), the Transaction Maximum Principal Amount shall be reduced in an amount equal to the Disqualified Shares Principal Reduction Amount. Section 1.02(c) of the ITC Disclosure Letter sets forth a

calculation of the Disqualified Shares Principal Reduction Amount as of the date of this Agreement. The calculation of the number of Disqualified Shares shall be based upon the treasury stock method in a manner consistent with the treasury stock method used to calculate the Fully Diluted Basis. The Parties' binding estimate of the number of Disqualified Shares shall be made on the Estimation Date using for the purposes of the treasury stock method calculations, the Reference Price for the price of ITC Common Stock for all options and rights included in the calculation (for purposes of this estimate only).

(d) Notwithstanding any other provision of this Section 1.02, in no event shall the number of TransCo Common Units issued to Entergy pursuant to this Section 1.02 be an amount less than that which shall be necessary so that the holders of TransCo Common Units immediately prior to the Merger, constitute the holders of at least a 50.1% of the outstanding ITC Common Stock immediately following the Merger; provided, that, except as otherwise contemplated in this Section 1.02, in the event that the application of this Section 1.02(d) shall require an increase in the number of shares of TransCo Common Units issued to Entergy, the Parties shall in good faith mutually agree to such other modifications to the financial terms of this Agreement, including the amount of the Special Dividend and/or Share Repurchase and/or the Transaction Maximum Principal Amount, as necessary to put the Parties in the same position as they were in prior to any such adjustment pursuant to the application of this Section 1.02(d). Notwithstanding any other provision of this Section 1.02, if, prior to or after the Closing, the Parties identify an error in the assumptions, estimations or calculations resulting in the determination of the number of TransCo Common Units to be issued to Entergy under this Section 1.02, the Parties agree to take all such actions as may be necessary to correct such error such that the condition set forth in the first sentence of this Section 1.02(d) is satisfied. For the avoidance of doubt, this provision shall be interpreted in a manner that ensures a sufficient number of TransCo Common Units are issued to satisfy the requirements of Code Section 355(e) with respect to TransCo post-Closing.

Section 1.03 The Distribution; Special Dividend and Share Repurchase.

(a) Entergy may, in its sole discretion, elect to effect the Distribution as a Spin-Off, as an Exchange Offer, or as a combination of a Spin-Off and an Exchange Offer with or without a Clean-Up Spin-Off and shall advise ITC of the form of the Distribution no later than thirty (30) Business Days prior to the anticipated Closing Date.

(b) To the extent the Distribution includes a Spin-Off, subject to the terms thereof, in accordance with Section 1.03(d), each Record Holder shall be entitled to receive for each share of Entergy Common Stock held by such Record Holder a number of TransCo Common Units equal to the total number of TransCo Common Units subject to the Spin-Off and held by Entergy on the Record Date (determined pursuant to Section 1.02), multiplied by a fraction, the numerator of which is the number of shares of Entergy Common Stock held by such Record Holder and the denominator of which is the total number of shares of Entergy Common Stock outstanding on the Record Date. To the extent the Distribution is effected as a Spin-Off, prior to the Distribution Date, the Board of Directors of Entergy, in accordance with applicable Law, shall establish the Record Date for the Distribution and any appropriate procedures in connection with the Spin-Off. To the extent any of the Distribution is effected as an Exchange Offer followed by a Clean-Up Spin-Off of any remaining TransCo

Common Units to be distributed by Entergy pursuant to Section 1.03(c), the Board of Directors of Entergy shall set the Record Date as the time on the Distribution Date immediately following the time at which the validly tendered shares of Entergy Common Stock are accepted for payment in the Exchange Offer.

(c) Subject to the terms and conditions thereof, to the extent any of the Distribution is effected as an Exchange Offer, each Entergy shareholder may elect in the Exchange Offer to exchange a number of shares of Entergy Common Stock held by such Entergy shareholder for TransCo Common Units. Subject to applicable securities Laws, Entergy shall determine, in its sole discretion, the terms and conditions of the Exchange Offer, including the exchange ratio (including any discount to the reference price of ITC Common Stock), the timing of the offer period and any extensions thereto, and other customary provisions, each as will be set forth in the TransCo Registration Statements and Schedule TO; provided, however, that before filing the TransCo Registration Statements, the Schedule TO or any amendments or supplements thereto, or comparable documents under securities or state “blue sky” laws of any jurisdiction, Entergy and/or TransCo (as applicable) will furnish to ITC and its counsel copies of all such documents proposed to be filed (including all exhibits thereto), which documents will be subject to the reasonable comment of ITC and its counsel, and, before filing any such document, Entergy and/or TransCo (as applicable) shall reasonably consider any changes thereto that ITC and its counsel shall reasonably request; provided, further, that the maximum number of days that the Exchange Offer may be extended following satisfaction of the conditions to Closing set forth in Section 6.01(g), Section 6.02(g) and Section 6.03(g) shall be ten (10) Business Days; provided, further, that, to the extent permitted pursuant to the securities Laws, it shall be a term and condition of the Exchange Offer that no Entergy shareholder who is a “Market Participant” (as defined in ITC’s Amended and Restated Articles of Incorporation) shall be permitted to exchange for a number of TransCo Common Units that, together with (x) TransCo Common Units that would be received by such shareholder in any Clean-Up Spin-Off and (y) shares of ITC Common Stock beneficially owned or anticipated to be beneficially owned by such shareholder, would cause such shareholder following the Effective Time, together with any “group” (as defined in Rule 13d-5 of the Exchange Act) of which it is a member, to beneficially own shares constituting five percent (5%) or more of the total number of shares of any class or series of capital stock of ITC.

(d) The terms and conditions of any Clean-Up Spin-Off shall be as determined by Entergy in its sole discretion; provided, however, that (i) any TransCo Common Units that are not subscribed for in the Exchange Offer must be distributed to Entergy’s shareholders in the Clean-Up Spin-Off and (ii) subject to any applicable Law or stock exchange requirement, the Clean-Up Spin-Off shall take place on the Distribution Date immediately following the consummation of the Exchange Offer and the Record Date for the Clean-Up Spin-Off shall be established as of such date in the same manner as provided in Section 1.03(b).

(e) In connection with the other Transactions, prior to the Merger (regardless whether the actual payment date for any Special Dividend is before, on or after the Effective Time) ITC may, in its sole discretion, elect to (i) declare a special dividend (whether or not payable in connection with the ITC Financing) to the ITC Shareholders (a “Special Dividend”) in which the amount payable to such holders does not exceed \$700 million in the aggregate, (ii) effect a repurchase of ITC Common Stock from the ITC Shareholders, the terms

and conditions of which shall be as determined by ITC in its sole discretion (a “Share Repurchase”), in which the purchase price payable to such holders does not exceed \$700 million in the aggregate, or (iii) effect a combination of a Special Dividend and a Share Repurchase in which the amount payable to ITC Shareholders in both transactions does not exceed \$700 million in the aggregate. ITC shall take all action necessary to prohibit ITC’s Dividend Reinvestment Plan from reinvesting, on behalf of any participants, the proceeds of the Special Dividend in ITC Common Stock, through purchase or otherwise, after the Closing.

(f) Entergy shall be entitled to delay the Distribution Date and ITC shall be entitled to delay the consummation of a Special Dividend and/or a Share Repurchase, in each case, to the extent necessary to comply with any NYSE rules relating to notices of record dates and dividends and to comply with applicable securities Laws relating to offer periods and extensions thereof (including the availability of any required financial statements) and otherwise relating to exchange offers, tender offers and dividends; provided, that the Distribution Date or the consummation of a Special Dividend and/or a Share Repurchase shall occur reasonably promptly after any such compliance. The Share Repurchase shall be conducted in accordance with applicable securities Laws. Each of ITC and Entergy shall also be entitled to delay the Distribution Date for a maximum of twenty (20) calendar days, in consultation with its financial advisors, to take into account any then existing market conditions and the ability to market the ITC Financing and/or the Financings.

(g) Upon the consummation of the Distribution, Entergy shall deliver to the Exchange Agent a global certificate representing the TransCo Common Units being transferred in the Distribution, for the account of Entergy’s shareholders that are entitled thereto. The Exchange Agent shall hold such certificate or certificates, as the case may be, for the account of Entergy’s shareholders pending the Merger. In no event shall the number of TransCo Common Units issued and distributed in the Distribution exceed the number of TransCo Common Units determined pursuant to Section 1.02(a), as adjusted if necessary pursuant to Section 1.02(d).

(h) The Parties shall keep each other reasonably informed with respect to the transactions contemplated by this Section 1.03 in order to coordinate the timing of such transactions to the extent reasonably practicable and desirable and otherwise consistent with the other provisions of this Section 1.03.

Section 1.04 Plan of Reorganization. This Agreement is in furtherance of a “plan of reorganization” for the Merger under Treasury Regulation Section 1.368-2(g).

Section 1.05 The Merger.

(a) On the terms and subject to the conditions of this Agreement, Merger Sub shall be merged (the “Merger”) with and into TransCo in accordance with the provisions of the DLLCA whereupon the separate corporate existence of Merger Sub shall cease, and TransCo shall continue as the surviving entity in the Merger (the “Surviving Company”) and shall be a wholly owned direct Subsidiary of ITC.

(b) The Merger shall be consummated by the filing of a certificate of merger (the “Certificate of Merger”), executed in accordance with, and containing such information as is required by, the relevant provisions of the DLLCA, with the Secretary of State of the State of Delaware. The Merger shall become effective at such time as the Certificate of Merger is duly filed with the Secretary of State of the State of Delaware, or at such later time as is agreed among the Parties and specified in the Certificate of Merger in accordance with the relevant provisions of the DLLCA (such date and time is hereinafter referred to as the “Effective Time”).

Section 1.06 Effects of the Merger. The effects of the Merger shall be as provided in this Agreement and in the applicable provisions of the DLLCA. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all of the property, rights, privileges, powers and franchises of TransCo and Merger Sub shall vest in the Surviving Company, and all debts, liabilities and duties of TransCo and Merger Sub shall become the debts, liabilities and duties of the Surviving Company, all as provided under the DLLCA.

Section 1.07 Certificate of Formation and Limited Liability Company Agreement of the Surviving Company; Managers and Officers of the Surviving Company.

(a) At the Effective Time, the certificate of formation of TransCo as in effect immediately prior to the Effective Time shall be the certificate of formation of the Surviving Company until thereafter amended in accordance with the provisions thereof and hereof and applicable Law.

(b) At the Effective Time, the limited liability company agreement of Merger Sub as in effect immediately prior to the Effective Time shall be the limited liability company agreement of the Surviving Company until thereafter amended in accordance with the provisions thereof and hereof and applicable Law.

(c) The initial managers of the Surviving Company at the Effective Time shall be the managers of Merger Sub immediately prior to the Effective Time. The initial officers of the Surviving Company at the Effective Time shall be the officers of Merger Sub immediately prior to the Effective Time. Each of such initial officers and managers of the Surviving Company shall hold office from the Effective Time until their respective successors are duly elected or appointed and qualified in the manner provided by the limited liability company agreement of the Surviving Company or as otherwise provided by applicable Law.

Section 1.08 Board of Directors of ITC and Management Appointees.

(a) ITC will take all necessary corporate actions to cause, at the Effective Time, there to be at least two (2) vacancies on the Board of Directors of ITC, which two (2) vacancies will be filled immediately after the Effective Time with two (2) directors nominated by ITC’s Nominating/Corporate Governance Committee as described in this Section 1.08(a). Prior to the Closing, ITC will engage an executive search firm to assist its Nominating/Corporate Governance Committee in identifying two (2) candidates to fill such vacancies, which candidates will, in addition to any other qualifications or criteria established by the Nominating/Corporate Governance Committee, (i) qualify as independent directors on the

Board of Directors of ITC for purposes of the rules of the NYSE, Rule 10A-3 of the Exchange Act, and the ITC Group's FERC independence requirements and (ii) possess a knowledge and understanding of (1) the Transmission industry or electric utility industry and (2) the service territory of the Transmission Business, including in each case with respect to the business, customer, environmental, energy, political and regulatory issues faced by the Transmission Business. ITC shall keep Entergy reasonably informed of such search process, and Entergy shall be entitled to offer any number of candidates to fill such vacancies to the Nominating/Corporate Governance Committee in connection with such search process, acknowledging that any decision with respect to such candidates shall reside solely with the Nominating/Corporate Governance Committee and the Board of Directors of ITC.

(b) ITC and TransCo shall take all action necessary to appoint the persons listed in Section 1.08(b) of the Entergy Disclosure Letter to management positions at TransCo or ITC, as indicated after their respective names in such section (the "Management Appointees"), as of the Effective Time. If prior to the Effective Time, any Management Appointee is unwilling or unable to serve in such designated management position as a result of illness, death, resignation or any other reason, then a replacement for such person, if any, shall be mutually agreed by ITC and Entergy and shall be a TransCo Employee.

Section 1.09 Effect on Equity Interests.

(a) At the Effective Time, by virtue of the Merger and without any action on the part of TransCo, Merger Sub, ITC or the holders of any securities (or membership interests) of TransCo, Merger Sub or ITC, subject to Section 1.13, each TransCo Common Unit, other than any Cancelled Units, shall be converted into the right to receive one fully paid and nonassessable share of ITC Common Stock (the "Exchange Ratio"). The shares of ITC Common Stock to be issued upon the conversion of TransCo Common Units pursuant to this Section 1.09(a) and cash in lieu of fractional shares of ITC Common Stock to be paid as contemplated by Section 1.13 are referred to collectively as "Merger Consideration." As of the Effective Time, all such TransCo Common Units shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and any holder of a certificate representing any such TransCo Common Units shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration and any dividends or other distributions payable pursuant to Section 1.11 upon surrender of such certificate, without interest. The issuance of ITC Common Stock in connection with the Merger is referred to as the "ITC Stock Issuance."

(b) Each TransCo Common Unit that is owned, directly or indirectly, by ITC or Merger Sub immediately prior to the Effective Time or held by TransCo immediately prior to the Effective Time (the "Cancelled Units") shall, by virtue of the Merger and without any action on the part of the holder thereof, be cancelled and retired and shall cease to exist, and no consideration shall be delivered in exchange for such cancellation and retirement.

(c) At the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof, each unit of common membership interest of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and become one common membership interest unit of the Surviving Company and shall constitute

the only outstanding limited liability company membership interests of the Surviving Company. From and after the Effective Time, all certificates (if any) representing the common membership interests of Merger Sub shall be deemed for all purposes to represent the number of units of common membership interests of the Surviving Company into which they were converted in accordance with the immediately preceding sentence.

Section 1.10 Exchange of Certificates.

(a) Pursuant to Section 1.03(d), the Exchange Agent shall hold, for the account of the relevant Entergy shareholders, the global certificate(s) representing all of the outstanding TransCo Common Units distributed in the Distribution. Such TransCo Common Units shall be converted into shares of ITC Common Stock in accordance with the terms of this Article I.

(b) Prior to the Closing, Entergy shall appoint a bank or trust company reasonably acceptable to ITC as exchange agent (the "Exchange Agent"). Prior to or at the Effective Time, ITC shall deposit with the Exchange Agent, for the benefit of the holders of TransCo Common Units, for exchange in accordance with this Article I through the Exchange Agent, evidence in book entry form representing the shares of ITC Common Stock issuable pursuant to this Article I in exchange for outstanding TransCo Common Units. For the purposes of such deposit, ITC shall assume that there shall not be any fractional shares of ITC Common Stock. ITC shall make available to the Exchange Agent, for addition to the Exchange Fund, from time to time as needed or as reasonably requested by Entergy, cash sufficient to pay cash in lieu of fractional shares in accordance with Section 1.13 and cash sufficient to pay any dividends and other distributions pursuant to Section 1.14. All evidence in book entry form of ITC Common Stock including cash in lieu of fractional shares of ITC Common Stock to be paid pursuant to Section 1.13 and the amount of any dividends or other distributions payable with respect to the ITC Common Stock pursuant to Section 1.14 are hereinafter referred to as the "Exchange Fund." Following the Effective Time, the Exchange Agent shall, pursuant to irrevocable instructions, deliver the ITC Common Stock to be issued pursuant to this Article I out of the Exchange Fund. The Exchange Fund shall not be used for any other purpose.

Section 1.11 Exchange Procedures. As soon as reasonably practicable after the Effective Time of the Merger, and to the extent not previously distributed in connection with the Distribution, ITC shall cause the Exchange Agent to mail to any holder of record of outstanding TransCo Common Units whose TransCo Common Units were converted into the right to receive a portion of the Merger Consideration pursuant to Section 1.09(a); (a) a letter of transmittal and (b) instructions for use in effecting the exchange of any TransCo Common Units for Merger Consideration. Upon delivery to the Exchange Agent of the letter of transmittal, duly executed and such other documents as may reasonably be required by the Exchange Agent, the holder of such TransCo Common Units shall be entitled to receive in exchange therefor that number of whole shares of ITC Common Stock (after taking into account all TransCo Common Units exchanged by such holder) that such holder has the right to receive pursuant to the provisions of this Article I, payment by cash or check in lieu of fractional shares of ITC Common Stock which such holder is entitled to receive pursuant to Section 1.13 and any dividends or other distributions payable pursuant to Section 1.14. If any portion of the Merger Consideration is to be registered in the name of a Person other than the Person in whose name the applicable

TransCo Common Units is registered, it shall be a condition to the registration thereof that the applicable TransCo Common Units to be exchanged be in proper form for transfer and that the person requesting such delivery of the applicable portion of the Merger Consideration pay any and all transfer and other similar Taxes required to be paid as a result of such registration in the name of a Person other than the registered holder of such TransCo Common Units or establish to the satisfaction of the Exchange Agent that such Taxes have been paid or are not payable. Until exchanged as contemplated by this Section 1.11, any TransCo Common Units shall be deemed at any time after the Effective Time to represent only the right to receive upon such exchange the applicable portion of the Merger Consideration as contemplated by this Section 1.11 and any amounts to be paid pursuant to Section 1.13. No interest shall be paid or accrue on the Merger Consideration or any cash payable upon exchange of any TransCo Common Units.

Section 1.12 No Further Ownership Rights in TransCo Common Units. The portion of the Merger Consideration issued (and paid) and any cash paid in accordance with the terms of this Article I upon conversion of any TransCo Common Units shall be deemed to have been issued (and paid) in full satisfaction of all rights pertaining to such TransCo Common Units. At the Effective Time, the membership interest transfer books of TransCo shall be closed with respect to the TransCo Common Units that were outstanding immediately prior to the Effective Time, and there shall be no further registration of transfers on the membership interest transfer books of the Surviving Company of TransCo Common Units that were outstanding immediately prior to the Effective Time. If, after the Effective Time, any certificates formerly representing TransCo Common Units are presented to the Surviving Company or the Exchange Agent for any reason, they shall be cancelled and exchanged as provided in this Article I.

Section 1.13 No Fractional Shares.

(a) No certificates or scrip representing fractional shares of ITC Common Stock shall be issued upon the conversion of TransCo Common Units pursuant to Section 1.09(a), and such fractional share interests shall not entitle the owner thereof to vote or to any rights of a holder of ITC Common Stock. For purposes of this Section 1.13, all fractional shares to which a single record holder would be entitled shall be aggregated, and calculations shall be rounded to three decimal places.

(b) Fractional shares of ITC Common Stock that would otherwise be allocable to any former holders of TransCo Common Units in the Merger shall be aggregated, and no holder of TransCo Common Units shall receive cash equal to or greater than the value of one (1) full share of ITC Common Stock. The Exchange Agent shall cause the whole shares obtained thereby to be sold, in the open market or otherwise as reasonably directed by ITC, and in no case later than thirty (30) Business Days after the Effective Time. The Exchange Agent shall make available the net proceeds thereof, after deducting any required withholding Taxes and brokerage charges, commissions and transfer Taxes, on a *pro rata* basis, without interest, as soon as practicable to the holders of TransCo Common Units entitled to receive such cash. Payment of cash in lieu of fractional shares of ITC Common Stock shall be made solely for the purpose of avoiding the expense and inconvenience to ITC of issuing fractional shares of ITC Common Stock and shall not represent separately bargained-for consideration.

Section 1.14 Distributions with Respect to Unexchanged Shares. No dividends or other distributions with respect to ITC Common Stock with a record date after the Effective Time shall be paid to the holder of any unexchanged TransCo Common Units with respect to the shares of ITC Common Stock issuable upon exchange thereof, and no cash payment in lieu of fractional shares shall be paid to any such holder pursuant to Section 1.13, until, in each case, the exchange of such TransCo Common Units in accordance with this Article I. Subject to applicable Law, following the exchange of any such TransCo Common Units, there shall be paid to the holder of the certificate representing whole shares of ITC Common Stock issued in exchange therefor, without interest, (a) at the time of such surrender, the amount of any cash payable in lieu of a fractional share of ITC Common Stock to which such holder is entitled pursuant to Section 1.13 and the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of ITC Common Stock and (b) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to such surrender and a payment date subsequent to such exchange payable with respect to such whole shares of ITC Common Stock. In no event shall the Exchange Agent have the right to vote any shares of ITC Common Stock held by the Exchange Agent.

Section 1.15 Withholding Rights. Entergy, ITC, the Surviving Company or the Exchange Agent, as the case may be, shall be entitled to deduct and withhold from any consideration otherwise payable pursuant to this Agreement such amounts as may be required to be deducted and withheld with respect to the making of such payment under the Code or any provision of state, local or foreign Tax Law. Any withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Persons with respect to which such deduction and withholding was made.

Section 1.16 Termination of Exchange Fund. Any portion of the Exchange Fund (including the proceeds of any investments thereof) that remains undistributed to the former holders of TransCo Common Units for one hundred eighty (180) calendar days after the Effective Time shall be delivered to ITC upon demand, and any holders of TransCo Common Units who have not theretofore complied with this Article I shall thereafter look only to ITC for payment of their claim for the Merger Consideration, any cash in lieu of fractional shares of ITC Common Stock pursuant to Section 1.13 and any dividends or distributions pursuant to Section 1.14.

Section 1.17 No Liability. None of the Parties or the Exchange Agent shall be liable to any Person in respect of any TransCo Common Units or ITC Common Stock (or dividends or distributions with respect thereto) or cash from the Exchange Fund delivered to a public official pursuant to any abandoned property, escheat or similar Law.

Section 1.18 Post-Merger Operations.

(a) For three (3) years from and after the Effective Time, TransCo shall have a regional headquarters in Jackson, Mississippi, as well as a regional presence for the TransCo Subs within the four-state region in which the Transmission Business principally operates.

(b) Entergy and ITC each agree, to the extent consistent with the ITC Group's FERC independence requirements, that provision of charitable contributions and community support in the communities in which ITC and the Transmission Business of Entergy currently operate serve a number of important corporate goals. During the three-year period immediately following the Effective Time, ITC intends to provide charitable contributions and other community support within the communities in which the Transmission Business operates, at a level comparable in the aggregate to the levels currently provided by ITC in its other service territories.

Section 1.19 Dissenters Rights. In accordance with Sections 754 and 762 of the MBCA, each ITC Shareholder who objects to the Merger and complies with the provisions of the MBCA concerning the rights of ITC Shareholders to dissent from the Merger and require appraisal of their shares of ITC Common Stock (each such share of ITC Common Stock, a "Dissenting Share") and has not effectively withdrawn or lost such right as of the Effective Time (each such shareholder duly making such demand, a "Dissenting Shareholder"), shall be entitled to such rights as are granted by the MBCA. Any payments made with respect to Dissenting Shares shall be made by or on behalf of ITC. If any Dissenting Shareholder, at any time prior to payment for the Dissenting Shares, shall effectively withdraw or lose (through failure to perfect or otherwise) the right to payment as a Dissenting Shareholder, such holder shall forfeit such holder's rights as a Dissenting Shareholder and continue to hold the shares of ITC Common Stock as such holder held such shares immediately prior to the Effective Time. Each Dissenting Shareholder, who becomes entitled to payment for any Dissenting Shares pursuant to the MBCA, shall, after such payment is made, cease to be a holder of ITC Common Stock for all purposes under the MBCA.

Section 1.20 Exchange Trust. The Parties agree that, notwithstanding the terms of Section 1.03, Entergy may elect, by written notice to ITC delivered at least thirty (30) Business Days prior to the Closing to retain up to that number of TransCo Common Units that would convert in the Merger to up to 4.9999% of the total number of shares of ITC Common Stock outstanding immediately following the consummation of the Merger that otherwise would have been distributed in the Distribution on or prior to the Closing Date, and at the Closing such retained TransCo Common Units will convert to ITC Common Stock in the Merger. Such TransCo Common Units and the ITC Common Stock into which they convert are referred to collectively as the "Retained Equity." At the Closing, the Retained Equity shall be contributed by Entergy to, and thereafter held by, a Delaware trust or other arrangement mutually agreed to by ITC and Entergy (the "Exchange Trust"). The sole trustee of the Exchange Trust shall be a nationally recognized trust company or similar institution mutually agreed to by Entergy and ITC. Entergy shall not control the Exchange Trust or the Retained Equity held by it, other than the right to cause the Retained Equity to be distributed pursuant to this Section 1.20. Any such Retained Equity held in the Exchange Trust will be distributed through an exchange offer for outstanding shares of Entergy Common Stock within six (6) months after the Closing (or if earlier, the end of the calendar year in which the Closing occurs); provided, however, if at the end of such period no exchange offer has been effectuated in which all of the Retained Equity has been distributed to the shareholders of Entergy, the Retained Equity shall be distributed *pro rata* to the shareholders of Entergy. The trust agreement governing the Exchange Trust shall provide that, following the Closing, the Retained Equity may not be transferred other than pursuant to this Section 1.20, and that the Trustee will vote the Retained Equity in any and all

matters on which such Retained Equity is entitled to vote in the same proportion as all voting securities of ITC (other than the Retained Equity) that actually vote on such matter are voted. If necessary, ITC shall provide customary registration rights to Entergy with respect to the Retained Equity for the transactions contemplated by this Section 1.20. Each of Entergy and ITC agrees to use reasonable best efforts to negotiate in good faith to finalize the terms of any additional agreements that would be necessary to implement this Section 1.20 within sixty (60) days following date of this Agreement, including a registration rights agreement and trust agreement, and to work cooperatively thereafter until the Closing to implement the terms of this Section 1.20, including to address any concerns that a Governmental Authority may express with respect to the Retained Equity or the Exchange Trust and to address any reasonable comments from the trustee, once selected pursuant to this Section 1.20. All reasonable costs and expenses incurred in connection with the transactions contemplated by this Section 1.20 shall be borne or reimbursed by Entergy, including the reasonable fees and expenses of counsel of ITC incurred in connection therewith. Notwithstanding the foregoing, Entergy will be deemed to have elected not to pursue the transactions contemplated by this Section 1.20, and the Parties will have no further obligation under this Section 1.20, if (i) after discussions with FERC and each Party's legal advisors, a reasonable determination is made by either Party that doing so would reasonably be expected to result in a determination that any member of the ITC Group shall no longer (or in the case of TransCo and its Subsidiaries, shall not) be deemed independent by FERC, (ii) FERC does not expressly approve the transactions contemplated by this Section 1.20 in the FERC Approvals or (iii) Entergy is unable to obtain a ruling from the IRS that the implementation of the Exchange Trust will not affect the Distribution being a wholly tax-free exchange, the implementation of the transactions contemplated by this Section 1.20 and/or the distribution or exchange of the Retained Equity by Entergy to the Entergy shareholders would otherwise be inconsistent with the Ruling or unreasonably delay its receipt by Entergy or cause the Tax Opinion not to be delivered.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF ENTERGY

For all purposes of this Article II, for the avoidance of doubt, TransCo and each other member of the TransCo Group shall be a Subsidiary of Entergy immediately prior to the Effective Time (without giving effect to the Distribution). Entergy hereby represents and warrants to ITC as of the date of this Agreement and as of the Closing Date that, (i) except as set forth in the applicable section (or another section to the extent provided in Section 8.14) of the Entergy Disclosure Letter or (ii) to the extent expressly disclosed in any report, schedule, form or other document filed with, or furnished to, the SEC by Entergy or TransCo and publicly available prior to the date of this Agreement and after January 1, 2009, to the extent that the relevance of such disclosure to the applicable representation and warranty is reasonably apparent on its face (other than any forward-looking disclosures set forth in any risk factor section (except for any disclosure therein related to historical facts), any disclosures in any section relating to forward-looking statements and any other similar disclosures included therein to the extent that they are primarily cautionary in nature):

Section 2.01 Due Organization, Good Standing and Corporate Power. Entergy is a corporation duly organized, validly existing and in good standing under the Laws of the State

of Delaware. ESI, TransCo and each of the Utility OpCos is (and when formed, the TransCo Subs will be) a corporation or other entity duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization. Entergy and its Subsidiaries have all requisite corporate or limited liability company power and authority to own, lease and operate their respective properties and Assets that shall be contributed to TransCo or the TransCo Subs pursuant to the Separation Agreement and to carry on the Transmission Business as it is now being conducted. Entergy and each of its Subsidiaries is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the property or Assets owned, leased or operated by the Transmission Business that shall be contributed to TransCo or the TransCo Subs pursuant to the Separation Agreement or any Ancillary Agreement or the nature of the Transmission Business conducted by it makes such qualification necessary, except in such jurisdictions where the failure to be so qualified or licensed and in good standing would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE.

Section 2.02 Authorization of Agreement.

(a) The execution, delivery and performance of this Agreement and the Other Transaction Agreements by each of Entergy, the Utility OpCos, ESI and TransCo, as applicable, and the consummation by each of them of the Transactions, have been duly authorized and approved by their respective Boards of Directors or Boards of Managers (and this Agreement has been adopted by Entergy as the sole shareholder of TransCo) and no other corporate, limited liability company or shareholder action on the part of Entergy, the Utility OpCos, ESI or TransCo is necessary to authorize the execution, delivery and performance of this Agreement and the Other Transaction Agreements or the consummation of the Transactions. Upon the adoption of this Agreement by Entergy as the sole shareholder of TransCo, the approval of TransCo's equityholders after the consummation of the Distribution will not be required to effect the Transactions.

(b) This Agreement and the Separation Agreement have been, and the applicable Ancillary Agreements to which each is a party, when executed, shall be, duly executed and delivered by each of Entergy, the Utility OpCos, ESI and TransCo, as applicable, and, to the extent it is a party thereto, each is (or when executed shall be) a legal, valid and binding obligation of each of Entergy, the Utility OpCos, ESI and TransCo enforceable against each of Entergy, the Utility OpCos, ESI and TransCo, as applicable, in accordance with their terms, except to the extent that its enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar Law affecting the enforcement of creditors' rights generally and rules of Law governing specific performance, injunctive relief and other equitable remedies.

Section 2.03 Capital Structure.

(a) On the date of this Agreement, the authorized limited liability company membership interests of TransCo consisted solely of 1,000 TransCo Common Units, of which 1,000 TransCo Common Units were issued and outstanding. All outstanding TransCo Common Units are, and all such TransCo Common Units that may be issued prior to the Effective Time as contemplated by this Agreement and the Separation Agreement shall be when

issued, duly authorized, validly issued, fully paid and nonassessable and not issued in violation of any pre-emptive right, purchase option, call, right of first refusal or any similar right.

(b) On the date of this Agreement and immediately prior to the Distribution, all the outstanding TransCo Common Units are and shall be owned, directly or indirectly, by Entergy free and clear of any Security Interest other than any Security Interests pursuant to the Financings. Immediately following the Distribution, (i) there shall be outstanding a number of TransCo Common Units determined in accordance with this Agreement and the Separation Agreement, (ii) no TransCo Common Units shall be held in TransCo's treasury or by any Subsidiary of TransCo and (iii) no bonds, debentures, notes or other indebtedness of TransCo or any of its Subsidiaries having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which holders of TransCo Common Units or the holders of capital stock of any of TransCo's Subsidiaries may vote shall be outstanding.

(c) Except as contemplated by this Agreement and the Separation Agreement, there are no outstanding or authorized options, warrants, rights, subscriptions, claims of any character, agreements, obligations, convertible or exchangeable securities, or other commitments, contingent or otherwise, relating to TransCo Common Units or any equivalent limited liability company membership interest or other nominal interest in TransCo or any of its Subsidiaries which relate to TransCo (collectively, "TransCo Equity Interests") pursuant to which TransCo or any of its Subsidiaries is or may become obligated to issue TransCo Equity Interests or any securities convertible into, exchangeable for, or evidencing the right to subscribe for, any TransCo Equity Interests. There are no outstanding obligations of TransCo to repurchase, redeem or otherwise acquire any outstanding TransCo Equity Interests.

(d) There are no voting trusts or other agreements or understandings to which TransCo or any of its Subsidiaries is a party with respect to the voting or registration of, or restricting any person from purchasing, selling, pledging or otherwise disposing of, the capital stock or other equity interest of TransCo or any of its Subsidiaries.

Section 2.04 Consents and Approvals; No Violations.

(a) Non-Contravention. The execution and delivery of this Agreement by each of Entergy and TransCo, the execution and delivery of the Separation Agreement by each of Entergy, ESI, TransCo and the Utility OpCos and the execution of each Ancillary Agreement by Entergy and any of its Subsidiaries contemplated to be a party thereto does not or will not (as applicable), and the consummation of the Transactions by each of Entergy, TransCo, ESI and each of the Utility OpCos will not (with or without notice or lapse of time or both), (i) violate or conflict with any provision of the Organizational Documents of Entergy, TransCo, ESI or any Utility OpCo, (ii) subject to obtaining the Entergy Regulatory Approvals, violate or conflict with any Laws or Orders applicable to Entergy, TransCo, ESI or a Utility OpCo or any of their respective Assets, rights or properties or (iii) subject to obtaining the Transmission Land Right Consents, violate, conflict with, or result in a breach of any provision of, or constitute a default under, or trigger any obligation to repurchase, redeem or otherwise retire indebtedness under, or result in the termination of, loss of a benefit under or accelerate the performance required by, or result in a right of termination, cancellation, guaranteed payment or acceleration

of any obligation or the loss of a benefit under, or result in the creation of any Security Interest upon any of the property or Assets of Entergy, TransCo, ESI or any of the Utility OpCos pursuant to any provisions of any Permit or Contract (including the TransCo Material Contracts) to which Entergy, TransCo, ESI or any Utility OpCo is now a party or by which they or any of their Assets, rights or properties may be bound or have any rights under, or trigger any buy-sell or similar agreements except, in the case of clauses (ii) and (iii) above for any breach, violation, termination, loss, default, acceleration, change, conflict or Security Interest that would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE.

(b) Statutory Approvals. Other than in connection with or in compliance with (i) the Securities Act or the Exchange Act, (ii) the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”), (iii) the FERC Approvals, (iv) the pre-approvals required by any other applicable federal, state or local regulatory agencies or commissions (each, a “Commission” and collectively, “Commissions”) as listed in Section 2.04(b) of the Entergy Disclosure Letter (the “Non-FERC Approvals”), (v) the rules and regulations of the NYSE, (vi) any applicable state securities or blue sky Laws and (vii) the filing requirements in connection with the Merger under the DLLCA (collectively, the “Entergy Regulatory Approvals”) and subject to the accuracy of the representations and warranties of ITC in Section 3.04(b), no authorization, consent, Order, license, Permit or approval of, or registration, declaration, notice or filing with, or action by any Governmental Authority is necessary or required to be obtained or made under applicable Law in connection with the execution and delivery of this Agreement or the Other Transaction Agreements by Entergy, TransCo, ESI or the Utility OpCos, the performance by each of Entergy, TransCo, ESI and the Utility OpCos of its obligations hereunder or the consummation of the Transactions, except for such authorizations, consents, approvals or filings that, if not obtained or made, would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE (it being understood that references in this Agreement to “obtaining” such Entergy Regulatory Approvals shall mean making such declarations, filings or registrations; giving such notices; obtaining such final authorizations, consents or approvals; and having such waiting periods expire as are necessary to avoid a violation of Law).

Section 2.05 Financial Information; Absence of Changes.

(a) Attached as Section 2.05(a) of the Entergy Disclosure Letter are copies of the unaudited combined financial statements of the Transmission Business, including the combined balance sheets of the Transmission Business as of December 31, 2010 and as of September 30, 2011, and the unaudited combined statements of income of the Transmission Business for the fiscal year ended December 31, 2010 and the unaudited combined statements of income and cash flows for the nine months ended September 30, 2011 (collectively, the “Historical Financial Statements”). The Historical Financial Statements were prepared in good faith and derived from the books and records of Entergy and its Subsidiaries.

(b) When delivered pursuant to Section 5.03, the Audited Financial Statements shall present fairly in all material respects the combined balance sheets and combined statements of income, equity and cash flows of the Transmission Business as of the dates thereof or for the periods covered thereby, and will have been prepared in accordance with GAAP

consistently applied based on the historic practices and accounting policies of Entergy (provided that no exceptions or qualifications to GAAP are taken).

(c) Attached as Section 2.05(c) of the Entergy Disclosure Letter is a statement of the Rate Base Amount of the Transmission Business as of December 31, 2010 (the “Rate Base Statement”). The Rate Base Statement was (i) derived from the Utility OpCo’s and ESI’s financial statements and FERC filings, and 2010 Federal income tax returns and (ii) presents fairly in all material respects the Rate Base Amount of the Transmission Business as of the date thereof.

(d) Entergy has established and maintains disclosure controls and procedures and internal control over financial reporting (as such terms are defined in paragraphs (e) and (f), respectively, of Rule 13a-15 under the Exchange Act), as required by Rule 13a-15 under the Exchange Act. Entergy’s disclosure controls and procedures are reasonably designed to ensure that all material information required to be disclosed by Entergy in the reports that it files or furnishes under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that all such material information is accumulated and communicated to Entergy’s management as appropriate to allow timely decisions regarding required disclosure and to make the certifications required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), and all such required certifications have been made. Entergy’s management has completed an assessment of the effectiveness of Entergy’s internal control over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act for the year ended December 31, 2010, and such assessment concluded that such controls were effective.

(e) Section 2.05(e) of the Entergy Disclosure Letter sets forth all material Entergy Guarantees existing as of the date of this Agreement. As of the date of this Agreement, complete and correct copies (including all material amendments, modifications, extensions or renewals with respect thereto) of all material Entergy Guarantees and/or related Contracts have been provided to ITC.

(f) As of the Effective Time, TransCo and its Subsidiaries will not have any Indebtedness other than pursuant to the Financings and as may be incurred after the date hereof in accordance with Section 4.01(c)(v).

(g) Since September 30, 2011 to the date hereof, (i) the Transmission Business has been conducted in the ordinary course of business consistent with past practices and Good Utility Practice and (ii) there has not occurred a Transmission Business MAE.

(h) Except for matters reflected or reserved against on the combined balance sheet of the Transmission Business as of the end of the fiscal quarter ended on September 30, 2011, neither Entergy nor any of its Subsidiaries have any liabilities or obligations of any nature that would be Transmission Liabilities and that would be required under GAAP, as in effect on the date of this Agreement, to be reflected on a combined balance sheet of the Transmission Business or in the notes thereto, except for liabilities and obligations that (i) were incurred since September 30, 2011 and in the ordinary course of business, (ii) are incurred in

connection with the Transactions or (iii) would not, individually or in the aggregate, reasonably be expected to have a Transmission Business MAE.

Section 2.06 Information to be Supplied.

(a) The information supplied or to be supplied by Entergy for inclusion or incorporation by reference in the Entergy Filings or ITC Filings to be filed with the SEC shall not, on the date of its filing or, in the case of the ITC Form S-4 or the TransCo Registration Statements, at the time it becomes effective under the Securities Act or Exchange Act, as applicable, or on the date the Proxy Statement is mailed to the ITC Shareholders, at the time of the ITC Shareholder Meeting and on the Distribution Date, as applicable, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, provided, however, that with respect to projected financial information provided by or on behalf of Entergy, Entergy represents only that such information was prepared in good faith by management of Entergy on the basis of assumptions believed by such management to be reasonable as of the time made.

(b) All documents that Entergy or any of its Subsidiaries is responsible for filing with any Governmental Authority after the date hereof in connection with the Transactions will comply in all material respects with the provisions of all applicable Laws and Orders. All information supplied or to be supplied by Entergy or any of its Subsidiaries in any document, other than the Entergy Filings and the ITC Filings, which are addressed in Section 2.06(a), filed with any Governmental Authority after the date hereof in connection with the Transactions will be, at the time of filing, true and correct in all material respects.

Section 2.07 Litigation. There is no pending Action and to the Knowledge of Entergy, no Person has threatened to commence any Action, including any cease and desist letters or invitations to take a patent license, against Entergy or any of its Subsidiaries or any of the Assets, rights or properties owned or used by any of them, in each case which would reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE. Other than an Order issued by FERC that affects or governs the rates, services or other utility operations of the Transmission Business, none of Entergy or any of its Subsidiaries, or their respective Assets, rights or properties, is subject to any Order that would reasonably be expected to apply to TransCo or the TransCo Subs (or any of their respective Assets, rights or properties) following the Closing.

Section 2.08 Compliance with Laws; Permits.

(a) Except as would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE, the Transmission Business is conducted, and since January 1, 2010 has been conducted, in compliance with all applicable Laws and Orders. Since January 1, 2010, neither Entergy nor any Subsidiary of Entergy has received any written notice or, to the Knowledge of Entergy, other communication from any Governmental Authority regarding any actual or possible violation of, or failure to comply with, any Law or Order, except as would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE.

(b) As of the date hereof, Entergy and its Subsidiaries are, and, as of the Distribution Date and the Effective Time, TransCo and its Subsidiaries will be, in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exceptions, consents, certificates, approvals, clearances, permissions, qualifications, registrations and orders of any Governmental Authority, and all rights under any Contract with any Governmental Authority, necessary for the conduct of the Transmission Business as such business is currently being conducted (the “Transmission Permits”), except where the failure to have any of the Transmission Permits would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE. As of the date hereof, all Transmission Permits of Entergy and its Subsidiaries are, and as of the Distribution Date and Effective Time all Transmission Permits of TransCo and its Subsidiaries will be, valid and in full force and effect, except where the failure to be in full force and effect would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE. As of the date hereof, Entergy is, and each of its Subsidiaries is, and the Transmission Business as being conducted is, and, as of the Distribution Date and the Effective Time, TransCo and each of its Subsidiaries are, and the Transmission Business will be conducted, in compliance in all respects with the terms and requirements of such Transmission Permits, except where the failure to be in compliance would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE.

(c) Notwithstanding anything contained in Section 2.08(a), no representation or warranty shall be deemed to be made in Section 2.08(a) in respect of Tax, employee benefits, labor, intellectual property or environmental matters. Notwithstanding anything to the contrary in Section 2.08(b), no representation or warranty shall be deemed to be made in Section 2.08(b) in respect of environmental matters.

Section 2.09 Contracts.

(a) Except for this Agreement and the Other Transaction Agreements and except as disclosed on Section 2.09(a) of the Entergy Disclosure Letter, neither Entergy, nor any of its Assets, rights, properties or Subsidiaries, as of the date hereof, is a party to or bound by:

(i) any “material contract” (as such term is defined in Item 601(b)(10) of Regulation S-K under the Exchange Act) as such term would be applied to the Transmission Business as if a separate entity;

(ii) any non-competition Contract or other Contract that is related to the Transmission Business and purports to limit in any material respect either the type of business in which Entergy or any of its Subsidiaries or any of their respective Affiliates may engage or the manner or geographic area in which any of them may so engage in any business or contains exclusivity or non-solicitation provisions;

(iii) any Contract that limits or otherwise restricts the ability of TransCo or any of its Subsidiaries to pay dividends or make distributions to its shareholders;

(iv) any Contract relating to Intellectual Property Rights that is primarily used in or related to the Transmission Business (excluding commercially

available, off-the-shelf, non-exclusive licenses for software with aggregate fees of less than \$500,000);

(v) any partnership, joint venture or similar Contract relating to the Transmission Business;

(vi) any Contract, or series of related Contracts, under which TransCo or any TransCo Sub is or may be liable for Indebtedness in excess of \$50 million, individually or in the aggregate; or

(vii) any Contract that relates to collective bargaining or similar labor Contracts which cover any employees of Entergy or its Affiliates engaged in work related to the Transmission Business.

All Contracts of the type described in this Section 2.09(a) and any other such Contracts that may be entered into by Entergy or any Subsidiary of Entergy after the date hereof and prior to the Effective Time in accordance with Section 4.01 are referred to herein as “TransCo Material Contracts.” As of the date of this Agreement, complete and correct copies (including all material amendments, modifications, extensions or renewals with respect thereto) of all TransCo Material Contracts have been provided to ITC.

(b) Each TransCo Material Contract is a legal, valid and binding obligation of, and enforceable against, Entergy or any Subsidiary of Entergy that is a party thereto, and, to the Knowledge of Entergy, each other party thereto, and is in full force and effect in accordance with its terms, except for (i) terminations or expirations at the end of the stated term in the ordinary course of business consistent with past practice or (ii) such failures to be legal, valid and binding or to be in full force and effect as would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE, in each case subject to (A) Laws of general application relating to bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, relating to creditors’ rights generally and (B) rules of Law governing equitable remedies of specific performance, injunctive relief and other equitable remedies.

(c) Entergy and each of its Subsidiaries which is a party to any TransCo Material Contract is in compliance with all terms and requirements of each TransCo Material Contract, and no event has occurred that, with notice or the passage of time, or both, would constitute a breach or default by Entergy or any of its Subsidiaries under any such TransCo Material Contract, and, to the Knowledge of Entergy, no other party to any TransCo Material Contract is in breach or default (nor has any event occurred which, with notice or the passage of time, or both, would constitute such a breach or default) under any TransCo Material Contract, except in each case where such violation, breach, default or event of default would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE.

Section 2.10 Employees and Employee Benefits; Labor.

(a) Section 2.10(a) of the Entergy Disclosure Letter lists all material compensation or employee benefit plans, programs, policies, agreements or other arrangements,

whether or not “employee benefit plans” (within the meaning of Section 3(3) of ERISA, whether or not subject to ERISA), providing cash- or equity-based incentives, health, medical, dental, disability, accident or life insurance benefits or vacation, severance, retention, change in control, termination, deferred compensation, individual employment or consulting, retirement, pension or savings benefits, supplemental income, retiree benefit, fringe benefit (whether or not taxable), or employee loans, that are sponsored, maintained or contributed to by Entergy or any trade or business, whether or not incorporated, that together with Entergy would be deemed a single employer under Section 4001(b) of ERISA (an “Entergy ERISA Affiliate”) for the benefit of any TransCo Employee (the “Transmission Benefit Plans”).

(b) With respect to each Transmission Benefit Plan, Entergy has made available to ITC complete copies of each of the following documents: (i) the Transmission Benefit Plans (including all amendments thereto), (ii) the most recent annual report and actuarial report, if required under ERISA or the Code, (iii) the most recent Summary Plan Description, together with each Summary of Material Modifications, if required under ERISA, (iv) if the Transmission Benefit Plan is funded through a trust or any third-party funding vehicle, the trust or other funding agreement (including all amendments thereto) and the most recent financial statements thereof and (v) the most recent determination letter received from the IRS with respect to each Transmission Benefit Plan that is intended to be qualified under Section 401(a) of the Code.

(c) Except as would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE, each Transmission Benefit Plan has been established, operated and administered in all respects in accordance with its terms and all applicable Laws, including ERISA and the Code, and each of Entergy and its Subsidiaries and any Entergy ERISA Affiliate has performed all material obligations required to be performed by it in connection with the Transmission Benefit Plans. Each Transmission Benefit Plan intended to be “qualified” within the meaning of Section 401(a) of the Code, is the subject of a favorable determination letter from the IRS as to its qualification and, to the Knowledge of Entergy, no event has occurred or condition exists that could reasonably be expected to result in the disqualification of such Transmission Benefit Plan or the imposition of any material penalty or tax under ERISA or the Code.

(d) Other than routine claims for benefits, no liability under Title IV of ERISA has been incurred by Entergy or any of its Subsidiaries that has not been satisfied in full when due, and no condition exists that could reasonably be expected to have a material liability to Entergy or its Subsidiaries under Title IV of ERISA. Neither Entergy, its Subsidiaries nor any Entergy ERISA Affiliate contributes to or has an obligation to contribute to, nor has at any time contributed to or had an obligation to contribute to (on a contingent basis or otherwise), a “multiemployer plan” within the meaning of Section 3(37) of ERISA.

(e) Except as contemplated in the Other Transaction Agreements, the consummation of the Transactions (including the Merger) will not (i) entitle any TransCo Employee or former employee of the Transmission Business to severance, retention or change in control pay, tax gross-up, unemployment compensation or any other payment or (ii) accelerate the time of payment or vesting, or increase the amount, of severance, compensation or equity or any other benefit due any TransCo Employee or such former employee.

(f) Except as would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE, (i) there are no pending or, to the Knowledge of Entergy, threatened actions, suits or claims against, by or on behalf of, or any liens filed against or with respect to, any of the Transmission Benefit Plans or otherwise involving any Transmission Benefit Plan, (ii) to the Knowledge of Entergy, no facts or circumstances exist that could give rise to any such actions, suits or claims and (iii) no administrative investigation, audit or other administrative proceeding by the Department of Labor, the Pension Benefit Guaranty Corporation, the IRS or other governmental agencies are pending, or to the Knowledge of Entergy, threatened.

(g) Neither Entergy nor any of its Subsidiaries is a party to any agreement, contract or arrangement that could result, separately or in the aggregate, in the payment to TransCo Employees of any “excess parachute payments” within the meaning of Section 280G of the Code. The Transactions do not constitute a “change in ownership or control” with respect to Entergy within the meaning of Section 280G of the Code.

(h) No Transmission Benefit Plan provides benefits, including death or medical benefits (whether or not insured), with respect to any TransCo Employee beyond their retirement from service or other termination of service, other than (i) coverage mandated solely by applicable Law, (ii) death benefits or retirement benefits under any “employee pension benefit plan” (as defined in Section 3(2) of ERISA), (iii) deferred compensation benefits accrued as liabilities on the books of Entergy or its Subsidiaries or (iv) benefits the full costs of which are borne by the current or former employee or his or her beneficiary.

(i) With respect to any TransCo Employee, neither Entergy nor its Subsidiaries have received any notice of breach of Section 409A of the Code which individually or in the aggregate could reasonably be expected to result in any liability to any such TransCo Employee or Entergy or its Subsidiaries. There are no agreements or arrangements under which Entergy or its Subsidiaries has any liability for a “gross up” or similar payment in respect of any amount of “additional tax” that may become payable under Section 409A of the Code.

(j) Except as set forth in Section 2.10(j) of the Entergy Disclosure Letter, and solely with respect to the TransCo Employees: (i) neither Entergy nor any of its Subsidiaries is a party to any Collective Bargaining Agreement or other Contract with any labor organization or other representative of any of such employees, nor is any such Contract presently being negotiated, (ii) to the Knowledge of Entergy or any of its Subsidiaries, no campaigns are being conducted to solicit cards from any of such employees to authorize representation by any labor organization, and no such campaigns have been conducted within the past three (3) years, (iii) no labor strike, slowdown, work stoppage, dispute, lockout or other labor controversy is in effect or, to the Knowledge of Entergy or any of its Subsidiaries, threatened, and neither Entergy nor any of its Subsidiaries has experienced any such labor controversy within the past three (3) years, (iv) no unfair labor practice charge or complaint is pending or, to the Knowledge of Entergy or any of its Subsidiaries, threatened, except as would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE, (v) no grievance or arbitration proceeding is pending or, to the Knowledge of Entergy or any of its Subsidiaries, threatened which, if adversely decided, may reasonably be expected to, individually or in the aggregate, have a Transmission Business MAE, (vi) no action, complaint, charge, inquiry,

proceeding or investigation by or on behalf of any employee, prospective employee, former employee, labor organization or other representative of such employees is pending or, to the Knowledge of Entergy or any of its Subsidiaries, threatened which, if adversely decided, may reasonably be expected to, individually or in the aggregate, have a Transmission Business MAE, (vii) neither Entergy nor any of its Subsidiaries is a party to, or otherwise bound by, any consent decree with, or citation by, any Governmental Authority relating to employees or employment practices, (viii) Entergy and each of its Subsidiaries is in compliance with all applicable laws, Contracts, policies, plans, and programs relating to employment, employment practices, compensation, benefits, hours, terms and conditions of employment, and the termination of employment, including but not limited to the proper classification of such employees as exempt from overtime compensation requirements, the proper classification of individuals as contractors or consultants, and any obligations pursuant to the Worker Adjustment and Retraining Notification Act of 1988 or other similar laws, except as would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE and (ix) neither Entergy nor any of its Subsidiaries has closed any plant or facility, effectuated any layoffs of such employees or implemented any early retirement, separation or window program within the past three (3) years, nor has Entergy or any of its Subsidiaries planned or announced any such action or program for the future. No TransCo Employee who is subject to a Collective Bargaining Agreement is represented by a union local that is not party to one of the Collective Bargaining Agreements listed in Section 2.09(a)(vii) of the Entergy Disclosure Letter.

Section 2.11 Title to Transmission Assets; Sufficiency of Assets.

(a) Except as would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE, as of immediately prior to the Effective Time, taking into account the terms of the Transition Services Agreement and subject to any limitations or requirements imposed by an Acceptable RTO, TransCo and the TransCo Subs (as applicable) will have good, valid and marketable title to, or valid leasehold interests in or valid right to use, all Transmission Assets, in each case as such property, rights or Assets are currently being used, free and clear of all Security Interests, other than Permitted Encumbrances.

(b) The Assets, properties and rights of TransCo and the TransCo Subs (as applicable) as of the Effective Time (assuming the consummation of the Utility OpCo Contributions), together with the licenses and services to be made available pursuant to this Agreement and the Other Transaction Agreements and subject to any limitations or requirements imposed by an Acceptable RTO, will be sufficient to permit the Surviving Company and its Subsidiaries to operate the Transmission Business independent from Entergy and its Subsidiaries immediately following the Effective Time (i) in all material respects in compliance with all applicable Laws and Orders, (ii) in a manner substantially consistent with the operation of the Transmission Business on the date hereof and immediately prior to the Effective Time (subject to such changes solely resulting from the Regulatory Approvals or from the fact that the Transmission Business will operate on a standalone basis after the Closing) and (iii) in accordance with Good Utility Practice.

(c) As of the date of this Agreement, no Person, other than Entergy and its Subsidiaries, has any ownership interest in any Transmission Asset or any purchase option, right of first refusal or any similar right with respect to any Transmission Asset.

Section 2.12 Environmental Matters.

(a) Except as would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE, as it relates to the Transmission Business:

(i) there is no pending or, to the Knowledge of Entergy, threatened, claim, lawsuit, administrative proceeding, investigation or request for information against Entergy or any of its Subsidiaries, under or pursuant to any Environmental Law or relating to Hazardous Materials, and neither Entergy nor any Subsidiary of Entergy has received written notice from any Person or Governmental Authority alleging that Entergy has been or is in violation or potentially in violation of any applicable Environmental Law or otherwise may be liable under any applicable Environmental Law or relating to Hazardous Materials, which violation or liability is unresolved, and, to the Knowledge of Entergy, there are no facts, events or circumstances that would reasonably be expected to result in any such claim;

(ii) Entergy and its Subsidiaries are and have been in compliance with all applicable Environmental Laws and with all material permits, licenses and approvals required under Environmental Laws for the conduct of their businesses or the operation of their facilities as presently conducted or operated, and, to the Knowledge of Entergy, there are no facts, events, circumstances or changes in legal requirements that would reasonably be expected to prevent the Transmission Business from complying with Environmental Laws;

(iii) Entergy and its Subsidiaries have all material permits, licenses and approvals required under Environmental Law for the operation of their businesses and the operation of their facilities, all such permits, licenses and approvals are in effect, and, to the Knowledge of Entergy, there is no actual or alleged proceeding to revoke, modify, terminate or not renew any such permits, licenses and approvals and no reasonable basis for any such proceeding;

(iv) to the Knowledge of Entergy, there has been no Release (that are not Excluded Liabilities) of Hazardous Materials at any real property currently or formerly owned, leased, or operated by Entergy or any of its Subsidiaries or at any other location (including any location to which Hazardous Materials have been sent for reuse or recycling, or for treatment, storage or disposal) in concentrations or amounts or under conditions or circumstances that (A) would reasonably be expected to result in Liability to Entergy or any of its Subsidiaries under any Environmental Law or would otherwise interfere with operations of Entergy or any of its Subsidiaries as currently conducted and planned or (B) would require reporting, investigation, remediation, or other corrective or response action by Entergy or any of its Subsidiaries under any Environmental Law and that has not otherwise been addressed through such reporting, investigation, remediation, or other corrective or response action by Entergy or any of its Subsidiaries; and

(v) neither Entergy nor any of its Subsidiaries is party to any order, judgment or decree that imposes any obligations under any Environmental Law, and to the Knowledge of Entergy, neither Entergy nor any of its Subsidiaries has assumed

or retained any obligations under Environmental Law or relating to Hazardous Materials that could reasonably be expected to adversely affect the Transmission Business.

(b) The representations and warranties set forth herein and in Sections 2.04, 2.05, 2.06 and 2.16 are Entergy's sole representations and warranties relating to Environmental Law, the environment and Hazardous Materials.

Section 2.13 Taxes. Except as would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE:

(a) Entergy and its Subsidiaries have paid or withheld all Taxes, including withholding Taxes, required to be paid or withheld by them;

(b) none of the Transmission Business, the Transmission Assets, the Transmission Liabilities, or any other Asset of Entergy or any of its Subsidiaries is subject to any security interest, pledge, lien, or other encumbrance for Taxes, and no outstanding claims for Taxes have been asserted in writing with respect to Entergy or any of its Subsidiaries;

(c) TransCo and each legal entity that is transferred to TransCo in the Internal Restructuring (including, without limitation, each TransCo Sub) is newly formed solely for purposes of the Separation;

(d) the Transmission Assets have a basis for United States federal income tax purposes, as of December 31, 2010, of at least the amount set forth on Section 2.13(d) of the Entergy Disclosure Letter; and

(e) neither Entergy nor any of its Subsidiaries has taken any action or has Knowledge of any fact or circumstance that could reasonably be expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

Section 2.14 Regulatory.

(a) Regulation as a Utility. Each of the Utility OpCos is regulated as a public utility or public service company (or similar designation) by the FERC and (i) Entergy Arkansas, Inc. is subject to regulation as a public utility in the States of Arkansas and Tennessee, (ii) Entergy Gulf States Louisiana, L.L.C., is subject to regulation as a public utility in the State of Louisiana, (iii) Entergy Louisiana, LLC is subject to regulation as a public utility in the State of Louisiana and the City of New Orleans, Louisiana, (iv) Entergy Mississippi, Inc. is subject to regulation as a public utility in the State of Mississippi, (v) Entergy New Orleans, Inc. is subject to regulation as a public utility in the City of New Orleans, Louisiana and (vi) Entergy Texas, Inc. is subject to regulation as a public utility by the PUCT in the State of Texas and several municipalities within the State of Texas.

(b) Regulatory Proceedings. None of the Utility OpCos, all or part of whose rates or services are regulated by a Governmental Authority, (i) is a party to any rate proceeding before a Governmental Authority with respect to rates charged by such Utility OpCo for Transmission services other than in the ordinary course consistent with past practice, (ii) has rates for Transmission services in any amounts that have been or are being collected subject to

refund, pending final resolution of any rate proceeding pending before a Governmental Authority or on appeal to a court (other than rates based on estimated costs and/or revenues that are subject to adjustment once the actual costs and/or revenues become known) or (iii) is a party to any contract with any Governmental Authority for Transmission services entered into other than in the ordinary course consistent with past practice imposing conditions on rates or services in effect as of the date of this Agreement or which, to the Knowledge of Entergy, are as of the date of this Agreement scheduled to go into effect at a later time, except in the case of clauses (i) through (iii) that would not, individually or in the aggregate, reasonably be expected to have a Transmission Business MAE.

(c) Utility Reports. With respect to the Transmission Business, all filings (other than immaterial filings) required to be made by Entergy or any of the Utility OpCos since January 1, 2009, with the FERC under the FPA or the Public Utility Holding Company Act of 2005, the Department of Energy and any applicable Commissions, as the case may be, have been made, including all forms, statements, reports, agreements and all documents, exhibits, amendments and supplements appertaining thereto, including all rates, tariffs and related documents, and all such filings complied, as of their respective dates, with all applicable requirements of applicable statutes and the rules and regulations thereunder, except for filings the failure of which to make or the failure of which to make in compliance with all applicable requirements of applicable statutes and the rules and regulations thereunder, would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE.

Section 2.15 Intellectual Property Related to the Transmission Business. Except as would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE: (a) the Transmission Business as currently conducted by Entergy and its Subsidiaries does not infringe, misappropriate or otherwise violate any Intellectual Property Rights of any third party in any material respect and (b) no third party is infringing, misappropriating or violating any Intellectual Property Rights used in the Transmission Business and owned or exclusively licensed by or to Entergy and its Subsidiaries. Entergy or its Subsidiaries exclusively own, free of all Security Interests or adverse rights or interests of third parties, their material proprietary Intellectual Property Rights, and own or have a right to use all other Intellectual Property Rights used in the Transmission Business as currently conducted ("Transmission Business IP"). All applications and registrations for Transmission Business IP that is owned by Entergy or its Subsidiaries are subsisting and unexpired and, to Entergy's Knowledge, valid and enforceable. Entergy and its Subsidiaries take all reasonable actions to maintain and protect the Transmission Business IP and the security, contents and operation of their material software and systems, and to Entergy's Knowledge, there have been no material violations of same within the last two (2) years.

Section 2.16 Insurance. Section 2.16 of the Entergy Disclosure Letter lists all material insurance policies, insurance Contracts or self-insurance programs obtained within the past two (2) years and owned or held by Entergy or its Subsidiaries as of the date of this Agreement which cover the Transmission Business or its Assets, properties or personnel with respect to the operation or conduct of the Transmission Business, including policies of fire and casualty, liability and other forms of insurance and/or insurance arrangements made by Entergy and/or its Subsidiaries including any self-insurance programs. All such insurance policies, Contracts and self-insurance programs are in such amounts, with such deductibles and against

such risks and losses as are, in Entergy's judgment, reasonable for the business and Assets of the Transmission Business. Except as would not be reasonably expected to have a Transmission Business MAE, all such policies are in full force and effect, no invoiced premiums are overdue for payment, and no notice of cancellation or termination has been received by Entergy or any Subsidiary with respect to any such policy which has not been replaced on substantially similar terms prior to the date of such cancellation or termination. For the avoidance of doubt, while no policy of insurance of Entergy or any of its Subsidiaries is being transferred in the Separation, the Transmission Business retains all rights under each policy of insurance of Entergy or any of its Subsidiaries under which the Transmission Business is or was insured prior to the Closing.

Section 2.17 Broker's or Finder's Fee. Except for Goldman, Sachs & Company (the fees and expenses of which will be the responsibility of Entergy), neither Entergy nor any of its Subsidiaries has employed any investment banker, broker or finder in connection with the Transactions who might be entitled to any fee or any commission in connection with or upon consummation of the Merger or the Transactions.

Section 2.18 Real Property.

(a) Except as would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE, as of immediately prior to the Effective Time, taking into account the terms of the Transition Services Agreement, TransCo or the TransCo Subs (as applicable) will have good, valid and marketable title to all of the TransCo Real Property and other real property that is included in the Transmission Assets (excluding Transmission Land Rights) free and clear of all Security Interests other than Permitted Encumbrances.

(b) Except as would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE, (A) as of the date hereof, with respect to the leases set forth on Schedule 3.05(a)(viii) to the Separation Agreement and (B) as of immediately prior to the Effective Time, with respect to all real property leases and subleases that are included in the Transmission Assets (other than Transmission Land Rights), in each case, (i) each is enforceable in accordance with its terms, except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies, (ii) there exists no default or breach on the part of any member of the Entergy Group and to the Knowledge of Entergy, on the part of any third party, (iii) no event has occurred which, with or without the giving of notice or lapse of time, or both, would constitute such a default or breach on the part of any member of the Entergy Group and to the Knowledge of Entergy, on the part of any third party, and (iv) there has been no collateral assignment or other security interest and they are not subject to any Security Interests other than Permitted Encumbrances.

(c) Except as would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE, as of immediately prior to the Effective Time, taking into account the terms of the Transition Services Agreement, and subject to obtaining the Transmission Land Right Consents, TransCo or the TransCo Subs (as applicable) will be lawfully possessed of the Transmission Land Rights free and clear of all Security Interests other than Permitted Encumbrances.

Section 2.19 No Other Representations or Warranties. ENTERGY (ON BEHALF OF ITSELF AND EACH OTHER MEMBER OF THE ENTERGY GROUP) ACKNOWLEDGES THAT NEITHER ITC NOR MERGER SUB MAKES ANY REPRESENTATION OR WARRANTY AS TO ANY MATTER WHATSOEVER EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT OR IN ANY CERTIFICATE DELIVERED BY ITC OR MERGER SUB TO ENTERGY IN ACCORDANCE WITH THE TERMS HEREOF, AND SPECIFICALLY (BUT WITHOUT LIMITING THE GENERALITY OF THE FOREGOING) THAT NEITHER ITC NOR MERGER SUB MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO (A) ANY PROJECTIONS, ESTIMATES OR BUDGETS DELIVERED OR MADE AVAILABLE TO ENTERGY (OR ANY OF ITS AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES OR REPRESENTATIVES) OF FUTURE REVENUES, RESULTS OF OPERATIONS (OR ANY COMPONENT THEREOF), CASH FLOWS OR FINANCIAL CONDITION (OR ANY COMPONENT THEREOF) OF ITC AND ITS SUBSIDIARIES OR (B) THE FUTURE BUSINESS AND OPERATIONS OF ITC AND ITS SUBSIDIARIES, IN EACH CASE, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF ITC

ITC hereby represents and warrants to Entergy as of the date of this Agreement and as of the Closing Date that, except as (i) set forth in the applicable section (or another section to the extent provided in Section 8.14) of the ITC Disclosure Letter or (ii) to the extent disclosed in any report, schedule, form or other document filed with, or furnished to, the SEC by ITC and publicly available prior to the date of this Agreement and after January 1, 2009 (other than any forward-looking disclosures set forth in any risk factor section (except for any disclosure therein related to historical facts), any disclosures in any section relating to forward-looking statements and any other similar disclosures included therein to the extent that they are primarily cautionary in nature):

Section 3.01 Due Organization, Good Standing and Corporate Power. ITC is a corporation duly organized, validly existing and in good standing under the Laws of the State of Michigan and each of its Subsidiaries is a corporation or other entity duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization, and has all requisite corporate or limited liability company power and authority to own, lease and operate its properties and Assets and to carry on its business as it is now being conducted. ITC and each of its Subsidiaries is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the property or Asset owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except in such jurisdictions where the failure to be so qualified or licensed and in good standing would not reasonably be expected to have, individually or in the aggregate, an ITC MAE.

Section 3.02 Authorization of Agreement.

(a) The execution, delivery and performance of this Agreement and the Other Transaction Agreements by each of ITC and Merger Sub, and the consummation by ITC

and Merger Sub of the Transactions, have been duly authorized and approved by their respective Board of Directors or Boards of Managers (and this Agreement has been adopted by ITC as the sole shareholder of Merger Sub), and, except as described in Section 3.07, no other corporate, limited liability company or shareholder action on the part of ITC or Merger Sub is necessary to authorize the execution, delivery and performance of this Agreement and the Other Transaction Agreements or the consummation of the Transactions.

(b) This Agreement and the Separation Agreement have been, and the applicable Ancillary Agreements to which each is a party, when executed, shall be, duly executed and delivered by each of ITC and Merger Sub, as applicable, and to the extent it is a party thereto, each is (or when executed shall be) a legal, valid and binding obligation of ITC and Merger Sub, as applicable, enforceable against ITC and Merger Sub, as applicable, in accordance with their terms, except to the extent that its enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar Law affecting the enforcement of creditors' rights generally and rules of Law governing specific performance, injunctive relief and other equitable remedies.

Section 3.03 Capitalization.

(a) As of the date of this Agreement, the authorized capital stock of ITC consists of 100,000,000 shares of common stock, no par value (the "ITC Common Stock") and 10,000,000 shares of preferred stock, no par value (the "ITC Preferred Stock"). Subject to the ITC Shareholder Approval and the consummation of the other Transactions, ITC's articles of incorporation will be amended to provide for an increase in the authorized ITC Common Stock to an amount not less than 200,000,000 shares of ITC Common Stock (the "Charter Amendment"). As of the date of this Agreement, (i) 51,310,565 shares of ITC Common Stock were issued and outstanding (including shares of restricted ITC Common Stock), (ii) no shares of ITC Common Stock were held in treasury, (iii) 6,000,000 shares of ITC Common Stock were reserved for issuance at ITC's discretion in connection with the Sales Agency Financing Agreement, (iv) 2,110,239 shares of ITC Common Stock were reserved for issuance upon the exercise of outstanding options for ITC Common Stock and (v) no shares of ITC Preferred Stock were issued and outstanding. All issued and outstanding shares of ITC Common Stock have been duly authorized and validly issued and are fully paid and nonassessable and were not issued in violation of any pre-emptive rights, purchase option, call, right of first refusal or any similar right and all shares of ITC Common Stock reserved for issuance as noted in clauses (iii) and (iv), when issued in accordance with the respective terms thereof, will be duly authorized, validly issued, fully paid and nonassessable and were not issued in violation of any pre-emptive right, purchase option, call, right of first refusal or any similar right. No shares of ITC Common Stock are held by any Subsidiary of ITC. There are no outstanding bonds, debentures, notes or other indebtedness of ITC or any of its Subsidiaries having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which holders of ITC Common Stock or the holders of capital stock of any of ITC's Subsidiaries may vote.

(b) Except as set forth in subsection (a) above, as of the date of this Agreement, there are no outstanding options, warrants, rights, subscriptions, claims of any character, agreements, obligations, convertible or exchangeable securities, or other commitments, contingent or otherwise, relating to ITC Common Stock or any capital stock equivalent

(including shares of restricted ITC Common Stock) or other nominal interest in ITC or any of its Subsidiaries which relate to ITC (collectively, “ITC Equity Interests”) pursuant to which ITC or any of its Subsidiaries is or may become obligated to issue shares of its capital stock or other equity interests or any securities convertible into, exchangeable for, or evidencing the right to subscribe for, any ITC Equity Interests. There are no outstanding obligations of ITC to repurchase, redeem or otherwise acquire any outstanding securities of ITC Equity Interests.

(c) There are no voting trusts or other agreements or understandings to which ITC or any of its Subsidiaries is a party with respect to the voting or registration of, or restricting any person from purchasing, selling, pledging or otherwise disposing of, the capital stock or other equity interest of ITC or any of its Subsidiaries.

(d) The authorized capital stock of Merger Sub consists of 100 units of common membership interest (the “Merger Sub Common Units”). As of the date hereof, there were Merger Sub Common Units issued and outstanding, all of which are, and will be immediately prior to the Effective Time, directly owned by ITC. Merger Sub has outstanding no option, warrant, right or any other agreement pursuant to which any person other than ITC may acquire any equity security of Merger Sub. Merger Sub has not conducted any business prior to the date hereof and has, and prior to the Effective Time will have, no Assets, liabilities or obligations of any nature other than those incident to its formation and pursuant to this Agreement and the Transactions.

Section 3.04 Consents and Approvals; No Violations.

(a) Non-Contravention. The execution and delivery of this Agreement by each of ITC and Merger Sub and of the Separation Agreement by ITC, does not, and the consummation of the Transactions by ITC and Merger Sub will not (with or without notice or lapse of time or both), subject to obtaining the ITC Shareholder Approval and the ITC Regulatory Approvals, (i) violate or conflict with any provision of the Organizational Documents of ITC or any of its Subsidiaries, (ii) violate or conflict with any Laws or Orders applicable to ITC or its Subsidiaries or any of their respective Assets, rights or properties or (iii) violate, conflict with, or result in a breach of any provision of, or constitute a default under, or trigger any obligation to repurchase, redeem or otherwise retire indebtedness under, or result in the termination of, loss of a benefit under, or accelerate the performance required by, or result in a right of termination, cancellation, guaranteed payment or acceleration of any obligation or the loss of a benefit under, or result in the creation of any Security Interest upon any of the material property or Assets of ITC or any of its Subsidiaries pursuant to any provisions of any Permit or Contract to which ITC or any of its Subsidiaries is now a party or by which they or any of their Assets, rights or properties may be bound or have any rights under, or trigger any buy-sell or similar agreements, except, in the case of clauses (ii) and (iii) above for any breach, violation, termination, loss, default, acceleration, change, conflict or Security Interest that would not reasonably be expected to have, individually or in the aggregate, an ITC MAE.

(b) Statutory Approvals. Other than in connection with or in compliance with (i) the Securities Act or the Exchange Act, (ii) the HSR Act, (iii) the FERC Approvals, (iv) the rules and regulations of the NYSE, (v) any applicable state securities or blue sky Laws, (vi) the Non-FERC Approvals and (vii) the filing requirements in connection with the

Merger under the DLLCA (collectively, the “ITC Regulatory Approvals”) and subject to the accuracy of the representations and warranties of Entergy in Section 2.04(b), no authorization, consent, Order, license, Permit or approval of, or registration, declaration, notice or filing with, or action by any Governmental Authority is necessary or required to be obtained or made under applicable Law in connection with the execution and delivery of this Agreement or the Other Transaction Agreements by ITC and Merger Sub, the performance by each of ITC and Merger Sub of its obligations hereunder or the consummation of the Transactions, except for such authorizations, consents, approvals or filings that, if not obtained or made, would not reasonably be expected to have, individually or in the aggregate, an ITC MAE (it being understood that references in this Agreement to “obtaining” such ITC Regulatory Approvals shall mean making such declarations, filings or registrations; giving such notices; obtaining such final authorizations, consents or approvals; and having such waiting periods expire as are necessary to avoid a violation of Law).

Section 3.05 ITC SEC Filings; Financial Statements; Absence of Changes.

(a) ITC has timely filed or furnished all registration statements, prospectuses, forms, reports and documents and related exhibits required to be filed or furnished by it under the Securities Act or the Exchange Act, as the case may be, since December 31, 2010 through the date hereof (the “ITC SEC Filings”). The ITC SEC Filings when filed or furnished with or to the SEC (or, if amended or supplemented, then as of the time of its most recent amendment or supplement (as applicable)) (i) complied in all material respects in accordance with the requirements of the Securities Act, the Exchange Act and the Sarbanes-Oxley Act, as the case may be, and the applicable rules and regulations promulgated thereunder and (ii) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. No Subsidiary of ITC is subject to the periodic reporting requirements of the Exchange Act.

(b) ITC has established and maintains disclosure controls and procedures and internal control over financial reporting (as such terms are defined in paragraphs (e) and (f), respectively, of Rule 13a-15 under the Exchange Act), as required by Rule 13a-15 under the Exchange Act. ITC’s disclosure controls and procedures are reasonably designed to ensure that all material information required to be disclosed by ITC in the reports that it files or furnishes under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that all such material information is accumulated and communicated to ITC’s management as appropriate to allow timely decisions regarding required disclosure and to make the certifications required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act, and all such required certifications have been made. ITC’s management has completed an assessment of the effectiveness of ITC’s internal control over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act for the year ended December 31, 2010, and such assessment concluded that such controls were effective.

(c) Each of the consolidated financial statements of ITC (including, in each case, any notes thereto) contained in the ITC SEC Filings was prepared in accordance with GAAP consistently applied throughout the periods covered (except as may be indicated in the

notes thereto and except with respect to unaudited statements as permitted by Form 10-Q under the Exchange Act and the absence of footnote disclosures and normal and recurring adjustments, which were not or are not expected to be, as applicable, material, individually or in the aggregate), and each presented fairly in all material respects the consolidated financial position and results of operations of ITC and its consolidated Subsidiaries as of the respective dates thereof and for the respective periods indicated therein, except as otherwise noted therein (subject, in the case of unaudited statements, to normal and recurring adjustments, which were not or are not expected to be, as applicable, material, individually or in the aggregate).

(d) Except for matters reflected or reserved against on the consolidated balance sheet of ITC as of the end of the fiscal quarter ended on September 30, 2011, including the notes thereto, neither ITC nor any of its Subsidiaries have any liabilities or obligations of any nature that would be required under GAAP, as in effect on the date of this Agreement, to be reflected on a consolidated balance sheet of ITC and its consolidated Subsidiaries or in the notes thereto, except for liabilities and obligations that (i) were incurred since September 30, 2011 and in the ordinary course of business, (ii) are incurred in connection with the Transactions or (iii) would not, individually or in the aggregate, reasonably be expected to have an ITC MAE.

(e) Since September 30, 2011 to the date hereof, (i) there has not occurred an ITC MAE and (ii) ITC has conducted its businesses in all material respects only in the ordinary course of business consistent with past practices and Good Utility Practice.

Section 3.06 Information to be Supplied.

(a) The information supplied or to be supplied by ITC for inclusion in the Entergy Filings or the ITC Filings to be filed with the SEC shall not, on the date of its filing or, in the case of the ITC Form S-4 or the TransCo Registration Statements, at the time it becomes effective under the Securities Act or Exchange Act, as applicable, or on the date the Proxy Statement is mailed to the ITC Shareholders, at the time of the ITC Shareholder Meeting and on the Distribution Date, as applicable, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, provided, however, that with respect to projected financial information provided by or on behalf of ITC, ITC represents only that such information was prepared in good faith by management of ITC on the basis of assumptions believed by such management to be reasonable as of the time made.

(b) All documents that ITC is responsible for filing with any Governmental Authority in connection with the Transactions will comply in all material respects with the provisions of all applicable Laws and Orders. All information supplied or to be supplied by ITC in any document, other than the Entergy Filings and the ITC Filings, which are addressed in Section 3.06(a), filed with any Governmental Authority in connection with the Transactions will be, at the time of filing, true and correct in all material respects.

Section 3.07 Voting Requirements; Approval; Board Approval.

(a) The affirmative vote of the holders of a majority of (i) votes entitled to be cast by the holders of the outstanding shares of ITC Common Stock to approve the MBCA Vote and the Charter Amendment and (ii) votes cast by the holders of the outstanding shares of ITC Common Stock to approve the ITC Stock Issuance, are collectively referred to herein as the “ITC Shareholder Approval” and are the only vote of any class or series of ITC’s capital stock necessary to approve this Agreement, the Other Transaction Agreements and the Transactions. The Board of Directors of ITC has resolved to recommend, subject to the terms of this Agreement, that the ITC Shareholders approve the ITC Stock Issuance, the MBCA Vote, the Charter Amendment and the other Transactions (the “ITC Recommendation”), and such resolutions have not been rescinded, modified or withdrawn prior to the date hereof.

(b) ITC, as the sole member of Merger Sub, has duly adopted this Agreement and approved the Transactions.

Section 3.08 Litigation. There is no pending Action and to the Knowledge of ITC, no Person has threatened to commence any Action, including any cease and desist letters or invitations to take a patent license, against ITC or any of its Subsidiaries or any of the Assets, rights or properties owned or used by any of them, in each case which would reasonably be expected to have, individually or in the aggregate, an ITC MAE. Other than an Order issued by FERC that affects or governs the rates, services or other utility operations of ITC, none of ITC or any of its Subsidiaries, or their respective Assets, rights and properties, is subject to any Order which would reasonably be expected to have, individually or in the aggregate, an ITC MAE.

Section 3.09 Compliance with Laws; Permits.

(a) Except as would not reasonably be expected to have, individually or in the aggregate, an ITC MAE, the businesses of each of ITC and its Subsidiaries is being conducted, and since January 1, 2010 has been conducted, in compliance with all applicable Laws and Orders. Since January 1, 2010, neither ITC nor any Subsidiary of ITC has received any written notice or, to the Knowledge of ITC, other communication from any Governmental Authority regarding any actual or possible violation of, or failure to comply with, any Law or Order, except as would not reasonably be expected to have, individually or in the aggregate, an ITC MAE.

(b) ITC and its Subsidiaries are in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exceptions, consents, certificates, approvals, clearances, permissions, qualifications, registrations and orders of any Governmental Authority, and all rights under any Contract with any Governmental Authority, necessary for the conduct of its respective business as such business is currently being conducted (the “ITC Permits”), except where the failure to have any of the ITC Permits would not reasonably be expected to have, individually or in the aggregate, an ITC MAE. All ITC Permits are valid and in full force and effect, except where the failure to be in full force and effect would not reasonably be expected to have, individually or in the aggregate, an ITC MAE. ITC is, and each of its Subsidiaries is, and each of their respective businesses as being conducted is, in compliance in all respects with the terms and requirements of such ITC Permits, except where

the failure to be in compliance would not reasonably be expected to have, individually or in the aggregate, an ITC MAE.

(c) Notwithstanding anything contained in Section 3.09(a), no representation or warranty shall be deemed to be made in Section 3.09(a) in respect of Tax, employee benefits, labor, intellectual property or environmental matters. Notwithstanding anything contained in Section 3.09(b), no representation or warranty shall be deemed to be made in Section 3.09(b) in respect of environmental matters.

Section 3.10 Contracts.

(a) Except for this Agreement and the Other Transaction Agreements and except as disclosed on Section 3.10(a) of the ITC Disclosure Letter, neither ITC, nor any of its Assets, rights, properties or Subsidiaries, as of the date hereof, is a party to or bound by:

(i) any “material contract” (as such term is defined in item 601(b)(10) of Regulation S-K under the Exchange Act);

(ii) any non-competition Contract or other Contract that purports to limit in any material respect either the type of business in which ITC or any of its Subsidiaries or any of their respective Affiliates may engage or the manner or geographic area in which any of them may so engage in any business or contains exclusivity or non-solicitation provisions;

(iii) any Contract that limits or otherwise restricts the ability of ITC or any of its Subsidiaries to pay dividends or make distributions to its shareholders;

(iv) any Contract, or a series of related Contracts, under which ITC or any of its Subsidiaries is liable for Indebtedness in excess of \$50 million, individually or in the aggregate;

(v) any Contract that relates to collective bargaining or similar labor Contracts which cover any employees of ITC or its Affiliates; or

(vi) any material partnership, joint venture or similar Contract.

All Contracts of the type described in this Section 3.10(a) and any other such Contracts that may be entered into by ITC or any Subsidiary of ITC after the date hereof and prior to the Effective Time in accordance with Section 4.02 are referred to herein as “ITC Material Contracts”). As of the date of this Agreement, complete and correct copies (including all material amendments, modifications, extensions or renewals with respect thereto) of all ITC Material Contracts have been provided to Entergy.

(b) Each ITC Material Contract is a legal, valid and binding obligation of, and enforceable against, ITC or any Subsidiary of ITC that is a party thereto, and, to the Knowledge of ITC, each other party thereto, and is in full force and effect in accordance with its terms, except for (i) terminations or expirations at the end of the stated term in the ordinary course of business consistent with past practice or (ii) such failures to be legal, valid and binding

or to be in full force and effect as would not reasonably be expected to have, individually or in the aggregate, an ITC MAE, in each case subject to (A) Laws of general application relating to bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, relating to creditors' rights generally and (B) rules of Law governing equitable remedies of specific performance, injunctive relief and other equitable remedies.

(c) ITC and each of its Subsidiaries which is a party to any ITC Material Contract is in compliance with all terms and requirements of each ITC Material Contract, and no event has occurred that, with notice or the passage of time, or both, would constitute a breach or default by ITC or any of its Subsidiaries under any such ITC Material Contract, and, to the Knowledge of ITC, no other party to any ITC Material Contract is in breach or default (nor has any event occurred which, with notice or the passage of time, or both, would constitute such a breach or default) under any ITC Material Contract, except in each case where such violation, breach, default or event of default would not reasonably be expected to have, individually or in the aggregate, an ITC MAE.

Section 3.11 Employees and Employee Benefits; Labor.

(a) Section 3.11(a) of the ITC Disclosure Letter lists all material compensation or employee benefit plans, programs, policies, agreements or other arrangements, whether or not "employee benefit plans" (within the meaning of Section 3(3) of ERISA, whether or not subject to ERISA), providing cash- or equity-based incentives, health, medical, dental, disability, accident or life insurance benefits or vacation, severance, retention, change in control, termination, deferred compensation, individual employment or consulting, retirement, pension or savings benefits, supplemental income, retiree benefit, fringe benefit (whether or not taxable) that are sponsored, maintained or contributed to by ITC or any trade or business, whether or not incorporated, that together with ITC would be deemed a single employer under Section 4001(b) of ERISA (an "ITC ERISA Affiliate") for the benefit of current or former employees or directors of ITC or any of its Subsidiaries (the "ITC Benefit Plans").

(b) With respect to each ITC Benefit Plan, ITC has made available to Entergy complete copies of each of the following documents: (i) the ITC Benefit Plan (including all amendments thereto), (ii) the most recent annual report and actuarial report, if required under ERISA or the Code, (iii) the most recent Summary Plan Description, together with each Summary of Material Modifications, if required under ERISA, (iv) if the ITC Benefit Plan is funded through a trust or any third party funding vehicle, the trust or other funding agreement (including all amendments thereto) and the most recent financial statements thereof and (v) the most recent determination letter received from the IRS with respect to each ITC Benefit Plan that is intended to be qualified under Section 401(a) of the Code.

(c) Except as would not reasonably be expected to have, individually or in the aggregate, an ITC MAE, each ITC Benefit Plan has been established, operated and administered in all respects in accordance with its terms and all applicable Laws, including ERISA and the Code and ITC and each of its Subsidiaries and any ITC ERISA Affiliate has performed all material obligations required to be performed by it in connection with the ITC Benefit Plans. Each ITC Benefit Plan intended to be "qualified" within the meaning of Section 401(a) of the Code is the subject of a favorable determination letter from the IRS as to its

qualification and, to the Knowledge of ITC, no event has occurred or condition exists that could reasonably be expected to result in the disqualification of such ITC Benefit Plan or the imposition of any material penalty or tax under ERISA or the Code.

(d) Other than routine claims for benefits, no liability under Title IV of ERISA has been incurred by ITC or any its Subsidiaries that has not been satisfied in full when due, and no condition exists that could reasonably be expected to result in a material liability to ITC or its Subsidiaries under Title IV of ERISA. Neither ITC, its Subsidiaries nor any ITC ERISA Affiliate contributes to or has an obligation to contribute to, nor has at any time contributed to or had an obligation to contribute to (on a contingent basis or otherwise), a “multiemployer plan” within the meaning of Section 3(37) of ERISA.

(e) The consummation of the Merger will not (i) entitle any current or former employee or director of ITC or any of its Subsidiaries to severance, retention or change in control pay, tax gross-up, unemployment compensation or any other payment or (ii) accelerate the time of payment or vesting, or increase the amount, of severance, compensation or equity or any other benefit due any such current or former employee or director.

(f) Except as would not reasonably be expected to have, individually or in the aggregate, an ITC MAE, (i) there are no pending or, to the Knowledge of ITC, threatened actions, suits or claims against, by or on behalf of, or any liens filed against or with respect to, any of the ITC Benefit Plans or otherwise involving any ITC Benefit Plan, (ii) to the Knowledge of ITC, no facts or circumstances exist that could give rise to any such actions, suits or claims and (iii) no administrative investigation, audit or other administrative proceeding by the Department of Labor, the Pension Benefit Guaranty Corporation, the IRS or other governmental agencies are pending, or to the Knowledge of ITC, threatened.

(g) Neither ITC nor any of its Subsidiaries is a party to any agreement, contract or arrangement that could result, separately or in the aggregate, in the payment of any “excess parachute payments” within the meaning of Section 280G of the Code.

(h) No ITC Benefit Plan provides benefits, including death or medical benefits (whether or not insured), with respect to current or former employees or directors of ITC or any of its Subsidiaries beyond their retirement or other termination of service, other than (i) coverage mandated solely by applicable Law, (ii) death benefits or retirement benefits under any “employee pension benefit plan” (as defined in Section 3(2) of ERISA), (iii) deferred compensation benefits accrued as liabilities on the books of ITC or its Subsidiaries or (iv) benefits the full costs of which are borne by the current or former employee or director or his or her beneficiary.

(i) Except as set forth in Section 3.11(i) of the ITC Disclosure Letter: (i) neither ITC nor any of its Subsidiaries is a party to any collective bargaining agreement or other Contract with any labor organization or other representative of any of the employees, nor is any such Contract presently being negotiated, (ii) to the Knowledge of ITC or any of its Subsidiaries, no campaigns are being conducted to solicit cards from any of the employees to authorize representation by any labor organization, and no such campaigns have been conducted within the past three (3) years, (iii) no labor strike, slowdown, work stoppage, dispute, lockout or

other labor controversy is in effect or, to the Knowledge of ITC or any of its Subsidiaries, threatened, and neither ITC nor any of its Subsidiaries has experienced any such labor controversy within the past three (3) years, (iv) no unfair labor practice charge or complaint is pending or, to the Knowledge of ITC or any of its Subsidiaries, threatened, except as would not reasonably be expected to have, individually or in the aggregate, an ITC MAE, (v) no grievance or arbitration proceeding is pending or, to the Knowledge of ITC or any of its Subsidiaries, threatened which, if adversely decided, may reasonably be expected, individually or in the aggregate, to create an ITC MAE, (vi) no action, complaint, charge, inquiry, proceeding or investigation by or on behalf of any employee, prospective employee, former employee, labor organization or other representative of such employee is pending or, to the Knowledge of ITC or any of its Subsidiaries, threatened which, if adversely decided, may reasonably be expected to, individually or in the aggregate, have an ITC MAE, (vii) neither ITC nor any of its Subsidiaries is a party to, or otherwise bound by, any consent decree with, or citation by, any Governmental Authority relating to employees or employment practices, (viii) ITC and each of its Subsidiaries is in compliance with all applicable laws, Contracts, policies, plans, and programs relating to employment, employment practices, compensation, benefits, hours, terms and conditions of employment, and the termination of employment, including but not limited to the proper classification of employees as exempt from overtime compensation requirements, the proper classification of individuals as contractors or consultants, and any obligations pursuant to the Worker Adjustment and Retraining Notification Act of 1988 or other similar laws, except as would not reasonably be expected to have, individually or in the aggregate, an ITC MAE, and (ix) neither ITC nor any of its Subsidiaries has closed any plant or facility, effectuated any layoffs of employees or implemented any early retirement, separation or window program within the past three (3) years, nor has ITC or any of its Subsidiaries planned or announced any such action or program for the future.

Section 3.12 Title to Assets. Except as would not be reasonably likely to have, individually or in the aggregate, an ITC MAE, ITC and its Subsidiaries have good and valid title to, or valid leasehold interests in or valid right to use, all of their Assets, in each case as such Assets are currently being used, subject to no Security Interests, except for Permitted Encumbrances.

Section 3.13 Environmental Matters.

(a) Except as would not reasonably be expected to have, individually or in the aggregate, an ITC MAE:

(i) there is no pending or, to the Knowledge of ITC, threatened, claim, lawsuit, administrative proceeding, investigation or request for information against ITC or any of its Subsidiaries, under or pursuant to any Environmental Law or relating to Hazardous Materials, and neither ITC nor any Subsidiary of ITC has received written notice from any Person or Governmental Authority alleging that ITC has been or is in violation or potentially in violation of any applicable Environmental Law or otherwise may be liable under any applicable Environmental Law or relating to Hazardous Materials, which violation or liability is unresolved, and to the Knowledge of ITC, there are no facts, events or circumstances that would reasonably be expected to result in any such claim, Lawsuit, administrative proceeding, investigation or request for information;

(ii) ITC and its Subsidiaries are and have been in compliance with all applicable Environmental Laws and with all material permits, licenses and approvals required under Environmental Laws for the conduct of their businesses or the operation of their facilities as presently conducted or operated, and to the Knowledge of ITC, there are no facts, events, circumstances or changes in legal requirements that would reasonably be expected to prevent such businesses from complying with applicable Environmental Laws;

(iii) ITC and its Subsidiaries have all material permits, licenses and approvals required under Environmental Law for the operation of their businesses and the operation of their facilities, all such permits, licenses and approvals are in effect, and, to the Knowledge of ITC, there is no actual or alleged proceeding to revoke, modify or not renew any such permits, licenses and approvals and no reasonable basis for any such proceeding;

(iv) to the Knowledge of ITC, there has been no Release of Hazardous Materials at any real property currently or formerly owned, leased, or operated by ITC or any of its Subsidiaries or at any other location (including any location to which Hazardous Materials have been sent for reuse or recycling, or for treatment, storage or disposal) in concentrations or amounts or under conditions or circumstances that (A) would reasonably be expected to result in Liability to ITC or any of its Subsidiaries under any Environmental Law or would otherwise interfere with operations of ITC or any of its Subsidiaries as currently conducted and as planned or (B) would require reporting, investigation, remediation, or other corrective or response action by ITC or any of its Subsidiaries under any Environmental Law and that has not otherwise been addressed through such reporting, investigation, remediation, or other corrective or response action by ITC or any of its Subsidiaries; and

(v) neither ITC nor any of its Subsidiaries is party to any order, judgment or decree that imposes any obligations under any Environmental Law, and to the Knowledge of ITC, neither ITC nor any of its Subsidiaries has assumed or retained any obligations under Environmental Law or relating to Hazardous Materials that could reasonably be expected to adversely affect the business of ITC and its Subsidiaries.

(b) The representations and warranties set forth herein and in Sections 3.04, 3.05, 3.06 and 3.17 are ITC's sole representations and warranties relating to Environmental Law, the environment and Hazardous Materials.

Section 3.14 Taxes. Except as would not reasonably be expected to have, individually or in the aggregate, an ITC MAE:

(a) ITC and its Subsidiaries have paid or withheld all Taxes, including withholding Taxes, required to be paid or withheld by them;

(b) none of the Assets of ITC or any of its Subsidiaries is subject to any Security Interest for Taxes and no outstanding claims for Taxes have been asserted in writing with respect to ITC or any of its Subsidiaries;

(c) neither ITC nor any of its Subsidiaries has distributed stock of another Person or had its stock distributed by another Person in a transaction that was governed in whole or in part by Section 355 of the Code in the two (2) years prior to the date of this Agreement;

(d) except to the extent provided for in this Agreement, the Separation Agreement or the Ancillary Agreements or except as set forth on Section 3.14(d) of the ITC Disclosure Letter, in the one (1) year prior to the Agreement Date, ITC has not entered into nor been a party to any Proposed Acquisition Transaction (including approving any Proposed Acquisition Transaction, whether for purposes of Section 203 of the DGCL or any similar corporate statute, any “fair price” or other provision of ITC’s charter or bylaws or otherwise);

(e) neither ITC nor any of its Subsidiaries has taken any action or knows of any fact or circumstance that could reasonably be expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code; and

(f) neither ITC nor any of its Subsidiaries owns, directly or indirectly, any Entergy Common Stock.

Section 3.15 Regulatory.

(a) Regulation as a Utility. Each of the Regulated Operating Subsidiaries is regulated as an independent transmission company and public utility by FERC, and (i) ITC Midwest is subject to specifically defined regulation as a public utility at the Missouri Public Service Commission in the State of Missouri and as a transmission company at the Minnesota Public Utilities Commission in the State of Minnesota, (ii) ITC Great Plains is subject to specifically defined regulation as a transmission-only public utility at the Kansas Corporation Commission and the Oklahoma Corporation Commission in the States of Kansas and Oklahoma, respectively, and (iii) each of ITC Transmission and METC is subject to specifically defined regulation as an independent transmission company at the Michigan Public Service Commission in the State of Michigan.

(b) Regulatory Proceedings. None of the Regulated Operating Subsidiaries, all or part of whose rates or services are regulated by a Governmental Authority, (i) is a party to any rate proceeding before a Governmental Authority with respect to rates charged by such Regulatory Operating Subsidiary other than in the ordinary course consistent with past practice, (ii) has rates in any amounts that have been or are being collected subject to refund, pending final resolution of any rate proceeding pending before a Governmental Authority or on appeal to a court (other than rates based on estimated costs and/or revenues that are subject to adjustment once the actual costs and/or revenues become known) or (iii) is a party to any contract with any Governmental Authority entered into other than in the ordinary course consistent with past practice imposing conditions on rates or services in effect as of the date of this Agreement or which, to the Knowledge of ITC, are as of the date of this Agreement scheduled to go into effect at a later time, except in the case of clauses (i) through (iii) that would not, individually or in the aggregate, reasonably be expected to have an ITC MAE.

(c) Utility Reports. All filings (other than immaterial filings) required to be made by ITC or any of the Regulated Operating Subsidiaries since January 1, 2009, with the FERC under the FPA or the Public Utility Holding Company Act of 2005, the Department of Energy and any applicable Commissions, as the case may be, have been made, including all forms, statements, reports, agreements and all documents, exhibits, amendments and supplements appertaining thereto, including all rates, tariffs and related documents, and all such filings complied, as of their respective dates, with all applicable requirements of applicable statutes and the rules and regulations thereunder, except for filings the failure of which to make or the failure of which to make in compliance with all applicable requirements of applicable statutes and the rules and regulations thereunder, would not reasonably be expected to have, individually or in the aggregate, an ITC MAE.

Section 3.16 Intellectual Property Rights. Except as would not reasonably be expected to have, individually or in the aggregate, an ITC MAE: (a) the business of ITC and its Subsidiaries as currently conducted by ITC and its Subsidiaries does not infringe, misappropriate or otherwise violate any Intellectual Property Right of any third party in any material respect and (b) no third party is infringing, misappropriating or violating any Intellectual Property Rights owned or exclusively licensed by or to ITC or any of its Subsidiaries. ITC or its Subsidiaries exclusively own, free of all Security Interests or adverse rights or interests of third parties, their material proprietary Intellectual Property Rights, and own or have a right to use all other Intellectual Property Rights used in the business of ITC and its Subsidiaries as currently conducted ("ITC IP"). All applications and registrations for ITC IP are subsisting and unexpired and, to ITC Knowledge, valid and enforceable. ITC and its Subsidiaries take all reasonable actions to maintain and protect the ITC IP and the security, contents and operation of their material software and systems, and to ITC Knowledge, there have been no material violations of same within the last two (2) years.

Section 3.17 Insurance. ITC is insured under insurance policies, Contracts and self-insurance programs, including policies of fire and casualty, liability and other forms of insurance and/or insurance arrangements, in such amounts, with such deductibles and against such risks and losses as are, in ITC's judgment, reasonable for the business and Assets of ITC and its Subsidiaries. Except as would not be reasonably expected to have an ITC MAE, all such policies are in full force and effect, no invoiced premiums are overdue for payment, and no notice of cancellation or termination has been received by ITC or any Subsidiary with respect to any such policy which has not been replaced on substantially similar terms prior to the date of such cancellation or termination.

Section 3.18 Broker's or Finder's Fee. Except for J.P. Morgan Securities LLC and Barclays Capital Inc. (the fees and expenses of which will be the responsibility of ITC), neither ITC nor any of its Subsidiaries has employed any investment banker, broker or finder in connection with the Transactions who might be entitled to any fee or any commission in connection with or upon consummation of the Merger or the Transactions.

Section 3.19 Opinion of Financial Advisors. The Board of Directors of ITC has received (i) the opinion of J.P. Morgan Securities LLC, dated as of December 4, 2011, substantially to the effect that, as of such date, and subject to the limitations and assumptions set forth therein, the aggregate Merger Consideration is fair to ITC from a financial point of view

and (ii) the opinion of Barclays Capital Inc., dated December 4, 2011, substantially to the effect that, as of the date of such opinion and based on, and subject to, the limitations and assumptions set forth therein, the Exchange Ratio is fair to ITC from a financial point of view.

Section 3.20 Real Property.

(a) Except as would not, individually or in the aggregate, reasonably be expected to have an ITC MAE, ITC has good and valid and marketable title to all of the real property and interests in real property that are material to the businesses of each of ITC and its Subsidiaries, free and clear of all Security Interests other than Permitted Encumbrances.

(b) Except as would not, individually or in the aggregate, reasonably be expected to have an ITC MAE, with respect to the rights in real property leases, subleases, licenses, easements, rights-of-way, servitudes and similar agreements that are material to the businesses of each of ITC and its Subsidiaries, (i) each is enforceable in accordance with its terms, except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies, (ii) there is no default or breach on the part of any member of the ITC Group and to the Knowledge of ITC, on the part of any third party, (iii) no event has occurred which with or without the giving of notice or lapse of time, or both, would constitute such a default or breach on the part of any member of the ITC Group and to the Knowledge of ITC, on the part of any third party and (iv) there has been no collateral assignment or other security interest and they are not subject to any Security Interest other than Permitted Encumbrances.

Section 3.21 No Other Representations or Warranties. ITC (ON BEHALF OF ITSELF AND EACH OTHER MEMBER OF THE ITC GROUP) UNDERSTANDS AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE OTHER TRANSACTION AGREEMENTS OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS AGREEMENT OR THE OTHER TRANSACTION AGREEMENTS (OR ANY SCHEDULES OR EXHIBITS HERETO OR THERETO), NO PARTY TO THIS AGREEMENT, ANY OTHER TRANSACTION AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS AGREEMENT OR THE OTHER TRANSACTION AGREEMENTS, IS REPRESENTING OR WARRANTING IN ANY WAY AS TO THE ASSETS, BUSINESSES OR LIABILITIES CONTRIBUTED, TRANSFERRED, DISTRIBUTED, OR ASSUMED, AS TO ANY CONSENTS OR GOVERNMENTAL APPROVALS REQUIRED IN CONNECTION HERewith OR THEREwith, AS TO THE VALUE OR FREEDOM FROM ANY SECURITY INTERESTS OF, OR ANY OTHER MATTER CONCERNING, ANY ASSETS OF SUCH PARTY, OR AS TO THE ABSENCE OF ANY DEFENSES OR RIGHT OF SETOFF OR FREEDOM FROM COUNTERCLAIM WITH RESPECT TO ANY ACTION OR OTHER ASSET, INCLUDING ACCOUNTS RECEIVABLE, OF ANY PARTY, OR AS TO THE LEGAL SUFFICIENCY OF ANY CONTRIBUTION, DISTRIBUTION, ASSIGNMENT, DOCUMENT, CERTIFICATE OR INSTRUMENT DELIVERED HEREUNDER TO CONVEY TITLE TO ANY ASSET OR THING OF VALUE UPON THE EXECUTION, DELIVERY AND FILING HEREOF OR THEREOF.

ARTICLE IV

INTERIM OPERATING COVENANTS

Section 4.01 Conduct of Transmission Business Pending the Closing.

(a) Following the date of this Agreement and prior to the earlier of the Effective Time and the date on which this Agreement is terminated pursuant to Section 7.01 (the “Termination Date”), except as may be consented to in writing by ITC (which consent shall not be unreasonably withheld, conditioned or delayed) or as expressly required by this Agreement or the Other Transaction Agreements or as set forth in Section 4.01 of the Entergy Disclosure Letter, Entergy covenants and agrees that, with respect to its and its Subsidiaries’ operation of the Transmission Business, Entergy and each of its Subsidiaries shall conduct the Transmission Business only in, and shall not take any action except only in accordance with, the ordinary course of business, consistent with past practice and Good Utility Practice and shall use their respective commercially reasonable efforts to preserve intact their present business organizations, to maintain in effect all existing Transmission Permits, to maintain all material Assets that would be Transmission Assets as of the Separation Time in accordance with Good Utility Practice, to preserve their relationships with Governmental Authorities, key TransCo Employees, customers and suppliers and others having significant business dealings with them and to comply in all material respects with all Laws and Transmission Permits of all Governmental Authorities applicable to them or the Transmission Business, provided, however, that no action by Entergy or its Subsidiaries with respect to matters specifically addressed by any provision of Section 4.01(c) shall be deemed a breach of this sentence unless such action would constitute a breach of such other provision.

(b) Following the date of this Agreement and prior to the earlier of the Effective Time and the Termination Date, neither Entergy nor any of its Subsidiaries shall take any action or cause any action to be taken which action (i) could cause the Transactions to fail to qualify for the Intended Tax-Free Treatment, (ii) would result in any failure to obtain the Ruling or that could cause any of the information or representations made in the Tax Documents to be untrue. Following the Agreement Date and prior to the earlier of the Effective Time and the Termination Date, Entergy and members of the Entergy Group will not enter into or be a party to any Proposed Acquisition Transaction (including approving any Proposed Acquisition Transaction, whether for purposes of Section 203 of the DGCL or any similar corporate statute, any “fair price” or other provision of Entergy’s charter or bylaws or otherwise).

(c) Following the date of this Agreement and prior to the earlier of the Effective Time and the Termination Date (and without limiting the generality of Section 4.01(a) or Section 4.01(b)), and except (A) as may be expressly permitted or required by this Agreement or the Other Transaction Agreements, (B) as may be required by Law, (C) as may be agreed to in writing by ITC (which consent shall not be unreasonably withheld, conditioned or delayed) or (D) as set forth on Section 4.01 of the Entergy Disclosure Letter, Entergy:

(i) shall not permit TransCo or any TransCo Sub to (x) declare, set aside, make or pay any dividends or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock or limited liability company

membership interests or (y) enter into any agreement with respect to the voting of its capital stock or limited liability company membership interests or purchase or otherwise acquire, directly or indirectly, any TransCo Equity Interests or TransCo Capital Stock;

(ii) shall not, and shall not permit any of its Subsidiaries to, split, combine, reclassify, subdivide or take similar actions with respect to any TransCo Equity Interests or TransCo Capital Stock or any of the capital stock or limited liability company membership interests of any TransCo Sub or issue or authorize or propose the issuance of any TransCo Capital Stock or any TransCo Equity Interests or other securities in respect of, in lieu of or in substitution for shares of the capital stock or limited liability company membership interests of TransCo or any TransCo Sub;

(iii) shall not, and shall not permit any of its Subsidiaries to, sell, pledge, dispose of, grant, transfer, lease, license, guarantee, abandon, allow to lapse or encumber, or authorize the sale, pledge, disposition, grant, transfer, lease, guarantee, abandonment, allowance to lapse or encumbrance, of any Assets that are (or would otherwise be) Transmission Assets, including the capital stock of any Subsidiaries, except (A) transfers among TransCo and the TransCo Subs, (B) transfers among the TransCo Subs, (C) Permitted Encumbrances or encumbrances that are released at or prior to the Effective Time, (D) dispositions of obsolete equipment or Assets or dispositions of Assets being retired or replaced, in each case in the ordinary course of business and consistent with past practice and Good Utility Practice and (E) dispositions in amounts less than \$10 million in the aggregate in any consecutive 12-month period;

(iv) except as made in connection with any transaction solely between TransCo and any TransCo Sub or between any TransCo Subs and except for the acquisition of Assets in the ordinary course of business and consistent with past practice and Good Utility Practice, shall not, and shall not permit any of its Subsidiaries to, acquire or agree to acquire (including by merger, consolidation, or acquisition of stock or Assets) any interest in any Person or any Assets that are (or would otherwise be) Transmission Assets, if (A) the amount to be expended thereto (including the amount of any Indebtedness) exceeds \$25 million in any one transaction (or series of related transactions) or \$50 million in the aggregate in any consecutive 12-month period for all such acquisitions or (B) any such acquisition is reasonably likely, individually or in the aggregate, to materially delay the satisfaction of the condition set forth in Section 6.02(g) or Section 6.03(g) or prevent the satisfaction of such conditions;

(v) shall not, and shall not permit any of its Subsidiaries to, redeem, repurchase, defease, cancel or otherwise acquire or incur any Indebtedness, other than (A) Liabilities that would be Excluded Liabilities and (B) Indebtedness pursuant to the Financings;

(vi) shall not, and shall not permit any of its Subsidiaries to, adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of TransCo or the TransCo Subs, or enter into a letter of intent or agreement in principle with respect thereto, other than the Transactions;

(vii) shall not, and shall not permit any of its Subsidiaries to, (A) make any material change in its accounting or Tax reporting principles, methods or policies, except as required by a change in GAAP or FERC accounting requirements, (B) make, change or revoke any material Tax election or method of accounting on which Tax reporting is based, (C) settle or compromise any material Tax claim or Tax Liability, or enter into any material Tax closing agreements, (D) extend or waive the application of any statute of limitations regarding the assessment or collection of any material Tax or (E) amend any material Tax Return, in each case with respect to the Transmission Assets or the Transmission Business; provided that if any of the actions enumerated above would reduce the tax basis of any Transmission Assets by an amount in the aggregate in excess of \$10 million, such action shall be deemed to be material. For the avoidance of doubt and subject to other provisions in this Agreement, this provision does not apply to Entergy's ability to elect to take or forego bonus depreciation as provided under Section 168(k)(2)(D)(iii) of the Code;

(viii) shall not, and shall not permit any of its Subsidiaries to, materially change financial accounting policies or procedures or any of its methods of reporting income, deductions or other material items for financial accounting purposes, except as required by GAAP, FERC, SEC rule or policy or applicable Law, except to the extent necessary to produce the Audited Financial Statements;

(ix) shall not, and shall not permit any of its Subsidiaries to, adopt, amend or terminate any Transmission Benefit Plans or increase the salaries, wage rates, target bonus opportunities or equity based compensation of, grant any severance or termination pay or equity based compensation to, or loan or advance any money or other property to TransCo employees, in each case except (A) in the ordinary course of business consistent with past practice as applicable generally to Entergy Group employees in the relevant jurisdictions, (B) in connection with the adoption or amendment of Transmission Benefit Plans (or other practices) that are applicable generally to Entergy Group employees in the relevant jurisdictions, or (C) as required (1) to comply with applicable Law, (2) to comply with any Collective Bargaining Agreement or any collective bargaining obligation, including any grievance or arbitration process resolution, (3) by the terms of any Transmission Benefit Plan in effect on the date hereof or (4) by the terms of any agreement of Entergy or any of its Subsidiaries in effect on the date hereof, the existence of which agreement does not constitute a breach of any representation, warranty or covenant in this Agreement;

(x) except as required by Law or any Collective Bargaining Agreement or any collective bargaining obligation, including any grievance or arbitration process resolution, shall not, and shall not permit any of its Subsidiaries to, amend, modify, terminate (partially or completely), grant any waiver under or give any consent with respect to, or enter into any agreement to amend, modify, terminate (partially or completely), grant any waiver under or give any consent with respect to, any of the TransCo Material Contracts or enter into any Contract that if in effect on the date hereof would be a TransCo Material Contract, provided, however, that Entergy and its Subsidiaries may enter into any single contract covered by this subsection (x) in the ordinary course of business consistent with past practice with a value not exceeding \$10

million, and provided, further, that for the avoidance of doubt, this subsection (x) shall not apply to those contracts which are otherwise specifically permitted to be entered into by TransCo or the TransCo Subs pursuant to this Section 4.01(c);

(xi) shall not, and shall not permit any of its Subsidiaries that are engaged in the Transmission Business to, agree or consent to any material agreements or material modifications of existing agreements or course of dealings with any Governmental Authorities in respect of the operations of the Transmission Businesses (it being understood that any settlements are governed by the provisions of subsection (xii)), except (A) as required by Law to obtain or renew Transmission Permits or agreements in the ordinary course of business consistent with past practice or (B) as may be related to Taxes that would not be a Transmission Liability;

(xii) shall not, and shall not permit any of its Subsidiaries to, pay, waive, release or settle any legal proceedings that (x) would be a Transmission Liability or (z) would restrict the operation of the Transmission Business, in each case other than payments or settlements (A) that do not exceed \$5 million individually and \$25 million in the aggregate in any consecutive 12-month period, will be paid in full by Entergy prior to the Separation Time and only involves monetary damages or (B) that have become due and payable prior to the date hereof (provided, however, that the exceptions set forth in clauses (A) and (B) shall not apply to any proceedings arising out of or related to this Agreement, the Other Transaction Agreements or the Transactions);

(xiii) (A) to the extent permitted by applicable Law, shall, and shall cause its Subsidiaries to, on a reasonable basis, (1) discuss with ITC any material change in its or its Subsidiaries' regulated Transmission rates or charges, standards of service or regulatory accounting with respect to the Transmission Business from those in effect on the date of this Agreement or (2) consult with ITC prior to making any filing (or any amendment thereto), or effecting any agreement, commitment, arrangement or consent, whether written or oral, formal or informal, with respect to the Transmission Business matters described in Section 4.01(c)(xiii)(A)(1) (other than filings to implement rate changes in accordance with existing formula rates or any formula rate that governs the recovery of Transmission costs at retail) and (B) shall not make, or permit any Subsidiary to make, any filing to change its Transmission rates on file with the FERC or any other Commission that would, individually or in the aggregate, reasonably be expected to have a Transmission Business MAE. Notwithstanding the foregoing, neither Entergy nor any of its Subsidiaries shall be required to consult or have discussions with ITC prior to (i) entering into arrangements with customers in the ordinary course of business consistent with past practices, (ii) taking any of the actions described in this subsection (xiii) concerning pass-through charges or Transmission charges in accordance with existing formula rates or (iii) making any filing (or any amendment thereto), or effecting any agreement, commitment, arrangement or consent, whether written or oral, formal or informal, with respect to ordinary course changes in Entergy's or its Subsidiaries' regulated Transmission rates or charges, standards of service or regulatory accounting with respect to the Transmission Business;

(xiv) shall, and shall cause its Subsidiaries, to maintain with financially responsible insurance companies (or through self-insurance not inconsistent with such Party's past practice), insurance in such amounts and against such risks and losses as are customary for companies engaged in the utility industry and at substantially the same levels with respect to the Transmission Assets as is in effect on the date hereof;

(xv) (A) shall not, and shall cause its Subsidiaries not to, commit to any capital expenditure for which TransCo or any of its Subsidiaries would be liable for following the Closing that is not specifically set forth in Section 4.01(c)(xv) of the Entergy Disclosure Letter or that together with any other capital expenditures so incurred is in excess of \$100 million in the aggregate in any consecutive twelve (12) month period, excluding expenditures required in connection with prudent emergency repairs required to avoid immediate material damage to any Assets of the Transmission Business and (B) shall, and shall cause its Subsidiaries to, use reasonable best efforts to make capital expenditures in accordance with the capital expenditures budget set forth in Section 4.01(c)(xv) of the Entergy Disclosure Letter, taking into account regulatory developments and factors outside of Entergy's control;

(xvi) shall not, and shall not permit any of TransCo or the TransCo Subs to, amend or otherwise change its or their (as applicable) Organizational Documents, except as expressly required by this Agreement or permitted under Article I of the Separation Agreement;

(xvii) shall not, and shall not permit any of its Subsidiaries to, enter into or amend any Contract or take any other action, if such Contract, amendment of a Contract or action would reasonably be expected to prevent or materially impede, interfere with, hinder or delay the consummation of the Transactions, including any Contract or action inconsistent with or contrary to the receipt of all necessary approvals from state and federal regulatory authorities to allow the Transmission Business to become a member of an Acceptable RTO;

(xviii) shall cause the System Agreement to be amended, and seek FERC approval of that amendment pursuant to Section 205 of the FPA, such that the System Agreement does not apply to ITC Group or the Transmission businesses of the ITC Group, does not direct Transmission functions to be performed by Entergy employees or business units and otherwise does not conflict with the FERC independence provisions applicable to the ITC Group, except that the System Agreement, as amended, may retain such provisions as may be necessary to allocate costs among the Entergy Subsidiaries in relation to the Transmission Business; and

(xix) shall not, and shall not permit any of its Subsidiaries to, commit or agree, in writing or otherwise, to take any of the foregoing actions.

(d) Following the date of this Agreement and prior to the earlier of the Effective Time and the Termination Date, Entergy covenants and agrees to use reasonable best efforts to take all actions necessary to obtain any necessary regulatory approvals to effect prior to Closing the migration of the Transmission Business to a regional transmission organization (the

“RTO Migration”) that satisfies the criteria set forth in Section 4.01(d)(i) of the Entergy Disclosure Letter (an “Acceptable RTO”) and otherwise in accordance with the actions specified in Section 4.01(d)(ii) of the Entergy Disclosure Letter and to keep ITC apprised of the status of such RTO Migration and material developments with respect thereto, including promptly notifying ITC following any material communications with any Governmental Authority relating to the RTO Migration and providing ITC with a copy of any such written communications (if requested) to the extent not prohibited by the applicable Governmental Authority. Entergy will consult with ITC with respect to any proposal, condition or limitation that arises in such proceedings that could reasonably be expected to have a material and adverse financial or operational impact on TransCo or its Subsidiaries or any other member of the ITC Group after the Closing which impact was not expressly contemplated by Section 4.01(d)(ii) of the Entergy Disclosure Letter (an “RTO Adverse Impact”). Entergy will not take any action that would reasonably be expected to cause an RTO Adverse Impact without ITC’s prior written consent (which consent may not be unreasonably withheld, conditioned or delayed). In the event that ITC does not grant such consent, and Entergy determines it is necessary or appropriate to take such action nonetheless, the Parties shall negotiate for a period of thirty (30) calendar days to reach a mutually agreeable resolution with respect to such matter. If no such resolution is obtained, Entergy may take such specified action following the end of such thirty (30) day period, and, provided that Entergy has complied with the terms of this Section 4.01(d), ITC’s sole recourse with respect to such action shall be to terminate this Agreement pursuant to Section 7.01(k).

Section 4.02 Conduct of ITC Pending the Closing.

(a) Following the date of this Agreement and prior to the earlier of the Effective Time and the Termination Date, except as may be consented to in writing by Entergy (which consent shall not be unreasonably withheld, conditioned or delayed) or as expressly required by this Agreement or the Other Transaction Agreements or as set forth in Section 4.02 of the ITC Disclosure Letter, ITC covenants and agrees that each of ITC and each of its Subsidiaries shall conduct its operations in, and shall not take any action except only in accordance with, the ordinary course of business, consistent with past practice and Good Utility Practice and shall use their respective commercially reasonable efforts to preserve intact their present business organizations, to maintain in effect all existing ITC Permits, to maintain rights and franchises, to maintain all material Assets of ITC, to preserve their relationships with Governmental Authorities, key employees, customers and suppliers and others having significant business dealings with them and to comply in all material respects with all Laws and ITC Permits of all Governmental Authorities applicable to them, provided, however, that no action by ITC or its Subsidiaries with respect to matters specifically addressed by any provision of Section 4.02(c) shall be deemed a breach of this sentence unless such action would constitute a breach of such other provision.

(b) Following the date of this Agreement and prior to the earlier of the Effective Time and the Termination Date, neither ITC nor any of its Subsidiaries shall take any action or cause any action to be taken which action could cause the Transactions to fail to qualify for the Intended Tax-Free Treatment. Following the Agreement Date and prior to the earlier of the Effective Time and the Termination Date, ITC and members of the ITC Group will not enter into or be a party to any Proposed Acquisition Transaction (including approving any Proposed

Acquisition Transaction, whether for purposes of Section 203 of the DGCL or any similar corporate statute, any “fair price” or other provision of ITC’s charter or bylaws or otherwise). Following the date of this Agreement and prior to the earlier of the Effective Time and the Termination Date, neither ITC nor any of its Subsidiaries shall acquire or own, directly or indirectly, any Entergy Common Stock. For the avoidance of doubt, this Section 4.02(b) shall not be deemed to require ITC to obtain a private letter ruling from the IRS in respect of the Tax treatment to be accorded to the Merger.

(c) Following the date of this Agreement and prior to the earlier of the Effective Time and the Termination Date, (and without limiting the generality of Section 4.02(a) and Section 4.02(b)), and except (A) as may be expressly permitted or required by this Agreement or the Other Transaction Agreements, (B) as may be required by Law, (C) as may be agreed to in writing by Entergy (which consent shall not be unreasonably withheld, conditioned or delayed) or (D) as set forth on Section 4.02 of the ITC Disclosure Letter, ITC:

(i) shall not amend or otherwise change its Organizational Documents, except as expressly contemplated by this Agreement;

(ii) shall not (A) declare, set aside, make or pay any dividends or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock (other than (1) quarterly cash dividends not to exceed the amounts set forth in Section 4.02(c)(ii) of the ITC Disclosure Letter, declared and paid in the ordinary course and with record dates and payment dates consistent with past practice, (2) dividends payable by a wholly owned Subsidiary of ITC to ITC or another wholly owned Subsidiary and (3) a Special Dividend in accordance with Section 1.03(e) or (B) enter any agreement with respect to the voting of its capital stock or purchase or otherwise acquire, directly or indirectly, any ITC Equity Interests (other than (x) in connection with a Share Repurchase in accordance with Section 1.03(e), (y) in connection with ITC’s dividend reinvestment plan or (z) repurchases of ITC Common Stock as contemplated by ITC’s Organizational Documents from market participants holding in excess of five percent (5%) of ITC’s voting capital stock);

(iii) shall not, and shall not permit any of its Subsidiaries to, split, combine, reclassify, subdivide or take similar actions with respect to any of the capital stock of ITC Common Stock or any other ITC Equity Interest or issue or authorize or propose the issuance of any shares of ITC Common Stock or any ITC Equity Interests or other securities in respect of, in lieu of or in substitution for shares of the capital stock of ITC or any of its Subsidiaries, other than (A) in connection with the exercise of currently outstanding stock options and equity awards under existing ITC Benefit Plans or other grants of stock options and equity awards under existing ITC Benefit Plans made in the ordinary course consistent with past practice, provided, that neither the timing of vesting or payment or the amount of such equity awards shall be affected by the transactions contemplated by this Agreement and (B) pursuant to the Sales Agency Financing Agreement, provided, however, that, except as required by Law, in no event shall ITC issue any shares of ITC Common Stock for any period after the Estimation Date that are not reflected in the estimate of the number of shares of ITC Common Stock on a Fully Diluted Basis as provided for in Section 1.02;

(iv) shall not, and shall not permit any of its Subsidiaries to, sell, pledge, dispose of, grant, transfer, lease, license, guarantee, abandon, allow to lapse or encumber, or authorize the sale, pledge, disposition, grant, transfer, lease, guarantee, abandonment, allowance to lapse or encumbrance, of any Assets, including the capital stock of any Subsidiaries, except (A) transfers among ITC and its wholly owned Subsidiaries, (B) transfers among ITC's wholly owned Subsidiaries, (C) Permitted Encumbrances, (D) dispositions of obsolete equipment or Assets or dispositions of Assets being retired or replaced, in each case in the ordinary course of business and consistent with past practice and Good Utility Practice, (E) dispositions, pledges and/or encumbrances relating to Indebtedness referenced under Section 4.02(c)(vi) or (F) dispositions in amounts less than \$50 million in the aggregate in any consecutive 12 month period;

(v) except as made in connection with any transaction solely between ITC and any of its Subsidiaries or between any ITC Subsidiaries and except for the acquisition of Assets in the ordinary course of business and consistent with past practice and Good Utility Practice, shall not, and shall not permit any of its Subsidiaries to, acquire or agree to acquire (including by merger, consolidation, or acquisition of stock or Assets) any interest in any Person or any Assets, if (A) the amount to be expended thereto (including the amount of any indebtedness) exceeds \$25 million in any one transaction (or series of related transactions) or \$50 million in the aggregate in any consecutive 12 month period for all such acquisitions or (B) any such acquisition is reasonably likely, individually or in the aggregate, to materially delay the satisfaction of the condition set forth in Section 6.02(g) and Section 6.03(g) or prevent the satisfaction of such condition;

(vi) shall not, and shall not permit any of its Subsidiaries to, redeem, repurchase, defease, cancel or otherwise acquire any Indebtedness, other than (A) Indebtedness repaid or incurred in the ordinary course of business consistent with past practice, including as set forth in Section 4.02(c)(vi) of the ITC Disclosure Letter, (B) Indebtedness in connection with the transactions contemplated by the Financings, (C) Indebtedness incurred in connection with the ITC Financing or (D) Indebtedness refinanced or incurred to refinance any existing Indebtedness in the ordinary course of business and consistent with past practice, including as set forth in Section 4.02(c)(vi) of the ITC Disclosure Letter;

(vii) shall not, with respect to ITC, adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of ITC or enter into a letter of intent or agreement in principle with respect thereto, other than the Transactions;

(viii) shall not, and shall not permit any of its Subsidiaries to, materially change financial accounting policies or procedures or any of its methods of reporting income, deductions or other material items for financial accounting purposes, except as required by GAAP, FERC, SEC rule or policy or applicable Law;

(ix) shall not, and shall not permit any of its Subsidiaries to adopt, amend or terminate any ITC Benefit Plan or increase the salaries, wage rates, target bonus opportunities or equity based compensation of any of its directors, officers or employees, in each case except (A) in the ordinary course of business consistent with past practice, (B) as applicable generally to ITC directors, officers or employees in the relevant jurisdictions or (C) as required (1) to comply with applicable Law, (2) by the terms of any ITC Benefit Plan in effect on the date hereof or (3) by the terms of any agreement of ITC or any of its Subsidiaries in effect on the date hereof, the existence of which agreement does not constitute a breach of any representation, warranty or covenant in this Agreement;

(x) except as required by Law or any collective bargaining agreement or any collective bargaining obligation, including any grievance or arbitration process resolution, shall not, and shall not permit any of its Subsidiaries to amend, modify, terminate (partially or completely), grant any waiver under or give any consent with respect to, or enter into any agreement to amend, modify, terminate (partially or completely), grant any waiver under or give any consent with respect to, any of the ITC Material Contracts or enter into any Contract that if in effect on the date hereof would be an ITC Material Contract, provided, however, that ITC and its Subsidiaries may enter into any single contract covered by this subsection (x) in the ordinary course of business consistent with past practice with a value not exceeding \$10 million, and provided, further, that this subsection shall not apply to Contracts related to the ITC Financing and the ITC Midwest Financing;

(xi) shall not, and shall not permit any of its Subsidiaries to, pay, waive, release or settle any material legal proceedings, other than payments or settlements (A) that do not exceed \$5 million individually and \$25 million in the aggregate in any consecutive 12-month period, (B) that have become due and payable prior to the date hereof or (C) in connection with regulatory proceedings before any Governmental Authorities (provided, however, that the exceptions set forth in clauses (A), (B) and (C) shall not apply to any proceedings arising out of or related to this Agreement, the Other Transaction Agreements or the Transactions);

(xii) shall not, and shall not permit any of its Subsidiaries to, agree or consent to any material agreements or material modifications of existing agreements or course of dealings with any Governmental Authorities in respect of the operations of their businesses (it being understood that any settlements are governed by the provisions of subsection (xi) above), except as required by Law to obtain or renew Permits or agreements in the ordinary course of business consistent with past practice;

(xiii) (A) to the extent permitted by applicable Law, shall, and shall cause its Subsidiaries to, on a reasonable basis, (1) discuss with Entergy any material change in its or its Subsidiaries' regulated Transmission rates or charges, standards of service or regulatory accounting from those in effect on the date of this Agreement or (2) consult with Entergy prior to making any material filing (or any amendment thereto) with FERC, or effecting any agreement, commitment, arrangement or consent, whether written or oral, formal or informal, with respect thereto (other than

filings to implement rate changes in accordance with existing formula rates) and (B) shall not make, or permit any Subsidiary to make, any filing to change its Transmission rates on file with the FERC or any other Commission that would, individually or in the aggregate, reasonably be expected to have an ITC MAE. Notwithstanding the foregoing, neither ITC nor any of its Subsidiaries shall be required to consult or have discussions with Entergy prior to (i) entering into arrangements with customers in the ordinary course of business consistent with past practices, (ii) taking any of the actions described in this subsection (xiii) concerning pass-through charges or Transmission charges in accordance with existing formula rates or (iii) making any filing (or any amendment thereto), or effecting any agreement, commitment, arrangement or consent, whether written or oral, formal or informal, with respect to ordinary course changes in ITC's or its Subsidiaries' regulated Transmission rates or charges, standards of service or regulatory accounting;

(xiv) shall, and shall cause its Subsidiaries, to maintain with financially responsible insurance companies (or through self-insurance not inconsistent with such Party's past practice), insurance in such amounts and against such risks and losses as are customary for companies engaged in the utility industry and at substantially the same levels as are in effect on the date hereof;

(xv) shall not, and shall not permit any of its Subsidiaries to, enter into or amend any Contract or take any other action, if such Contract, amendment of a Contract or action would reasonably be expected to prevent or materially impede, interfere with, hinder or delay the consummation of the Transactions; and

(xvi) shall not, and shall not permit any of its Subsidiaries to, agree, in writing or otherwise, to take any of the foregoing actions.

ARTICLE V

COVENANTS

Section 5.01 Efforts to Close: Antitrust Clearance.

(a) Entergy and ITC each shall file with the FTC and the DOJ any notifications required to be filed pursuant to and in compliance with the HSR Act at such time as the Parties shall reasonably agree (but in no event later than June 30, 2012). Without limitation of Section 5.01(b) through Section 5.01(f) below, Entergy and ITC each shall use reasonable best efforts to obtain early termination of any waiting period under the HSR Act and Entergy and ITC shall each promptly (i) supply the other with any information which may be required in order to effectuate such filings and (ii) supply any additional information which reasonably may be required by the FTC or the DOJ.

(b) Subject to the terms of Section 3.10 of the Separation Agreement, each of Entergy and ITC shall use reasonable best efforts to file, as soon as practicable after the date of this Agreement, necessary joint applications and all other applications, notices, registrations, filings, reports, petitions and other documents required to be filed with any Governmental Authority necessary or advisable to consummate the Transactions, including all

Entergy Regulatory Approvals and all ITC Regulatory Approvals. Each of Entergy and ITC shall promptly (i) supply the other with any information which may be required in order to effectuate such filings, (ii) supply any additional information which reasonably may be required by a Governmental Authority of any jurisdiction and which the Parties may reasonably deem appropriate and (iii) subject to applicable legal limitations and the instructions of any Governmental Authority, keep each other apprised of the status of matters relating to the completion of the Transactions, including promptly furnishing the other with copies of notices or other communications received by Entergy or ITC, as the case may be, or any of their respective Subsidiaries, from any third party and/or any Governmental Authority with respect to the Transactions. The Parties shall jointly, and on an equal basis, coordinate the overall development of the positions taken and the regulatory action requested in such filings; provided, that ITC shall have primary responsibility for the preparation and filing of applications with FERC and negotiations related thereto, and Entergy shall have primary responsibility for the preparation and filing of applications for the Non-FERC Approvals and negotiations with the applicable Commissions related thereto, in each case in accordance with the negotiating positions and strategies mutually agreed to by the Parties. In connection with any material communications, meetings, or other contacts, formal or informal, oral or written, with any Governmental Authority in connection with the Transactions, or any applications, notices, registrations, filings, reports, petitions and other documents required to be filed with any Governmental Authority necessary or advisable to consummate the Transactions, including all Entergy Regulatory Approvals and all ITC Regulatory Approvals, and without limiting the generality of the foregoing, the Parties will use reasonable best efforts to: (i) inform the other in advance of any such communication, meeting, or other contact which such Party proposes or intends to make, including the subject matter, contents, intended agenda, and other aspects of any of the foregoing; (ii) consult and cooperate with one another and, to the extent reasonably practicable, permit the other Party or its counsel to review in advance any proposed written communication by such Party to any Governmental Authority in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any Party in connection with proceedings under or relating to the HSR Act, the FPA, any state or local utility Commission or any other regulatory Laws in connection with the Transactions; (iii) arrange for Representatives of the other Party (to the extent requested by the other Party) to participate to the extent reasonably practicable in any such communications, meetings, or other contacts; (iv) notify the other Party of any oral communications with any Governmental Authority relating to any of the foregoing; and (v) provide the other Party with copies of all written communications with any Governmental Authority relating to any of the foregoing.

(c) Each of Entergy and ITC shall use its reasonable best efforts to (i) give the other Party prompt notice of the commencement or threat of commencement of any Action by or before any Governmental Authority with respect to the Transactions, (ii) keep the other Party informed as to the status of any such Action or threat and (iii) reasonably cooperate in all respects with each other and shall use their respective reasonable best efforts to contest and resist any such action or proceeding and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the Transactions. In connection with the Entergy Regulatory Approvals and ITC Regulatory Approvals, ITC shall not settle any Action or enter into any consent or order without the consent of Entergy, such consent not to

unreasonably be withheld, conditioned or delayed. In connection with the Entergy Regulatory Approvals and ITC Regulatory Approvals, Entergy shall not settle any Action or enter into any consent or order without the consent of ITC, such consent not to be unreasonably be withheld, conditioned or delayed.

(d) Subject to the conditions and upon the terms of this Agreement, each of Entergy and ITC shall use reasonable best efforts (subject to, and in accordance with, applicable Law) to take promptly, or cause to be taken, all actions, and to do promptly, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable under applicable Laws to carry out the intent and purposes of this Agreement and to consummate the Transactions; provided, however, that the level of efforts of Entergy and TransCo required to be utilized in connection with the TransCo Transfer (including those with respect to any Governmental Authorities (except those related to the Entergy Regulatory Approvals or the ITC Regulatory Approvals) or any third-party consents) shall be set forth in the Separation Agreement. Without limiting the generality of the foregoing, subject to the conditions and upon the terms of this Agreement, each Party to this Agreement shall (i) reasonably cooperate with the other Party, shall execute and deliver such further documents, certificates, agreements and instruments and shall take such other actions as may be reasonably requested by the other Party to evidence or reflect the Transactions (including the execution and delivery of all documents, certificates, agreements and instruments reasonably necessary for all filings hereunder), (ii) give all notices (if any) required to be made and given by such Party in connection with the Transactions, (iii) use reasonable best efforts to obtain each approval, consent, ratification, permission, waiver of authorization (including any authorization of a Governmental Authority) required to be obtained from Governmental Authorities and parties to any material Contractual obligation required to be obtained (pursuant to any applicable Law or Contract, or otherwise) by such Party in connection with the Transactions, including the Entergy Regulatory Approvals and the ITC Regulatory Approvals and (iv) use reasonable best efforts to lift any restraint, injunction or other legal bar to the Transactions; provided, that in no event shall a Party be required to take or agree to any actions that would reasonably be expected to result in an ITC Burdensome Condition or an Entergy Burdensome Condition.

(e) Subject to the terms and conditions of Article II of the Separation Agreement, Entergy, TransCo and ITC shall, and shall cause their respective Subsidiaries to, use their respective reasonable best efforts to cause their respective employees, accountants, counsel and other representatives to cooperate with each other in connection with the preparation of all documents (including all necessary property schedules) and the making of all filings required in connection with the ITC Financing and the Financings and shall use their respective reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all other things necessary, proper or advisable to consummate the ITC Financing and the Financings and the other transactions contemplated therewith. Without limiting the generality of the foregoing and subject to Section 2.04 of the Separation Agreement, each of Entergy, TransCo and ITC, shall, and shall cause their respective Subsidiaries to, use their respective commercially reasonable efforts to cause their respective employees, accountants, counsel and other representatives to cooperate with each other in (i) participating in meetings, drafting sessions, due diligence sessions, management presentation sessions, “road shows”, sessions with rating agencies and meetings with analysts in connection with the syndication or marketing of the ITC Financings and the Financings, (ii) preparing business projections, financial statements, offering

memoranda, private placement memoranda, prospectuses and similar documents deemed reasonably necessary by Entergy or ITC, after consultation with the other Party, to be used in connection with consummating the ITC Financing and the Financings, (iii) executing and delivering all documents and instruments reasonably necessary thereto, including any underwriting or placement agreements, pledge and security documents (with respect to any TransCo Sub only), other definitive financing documents, including any intercreditor or indemnity agreements, or other requested certificates, documents, legal opinions or negative assurance letters in customary form, as may be reasonably required, (iv) disclosing the ITC Financing and the Financings, as reasonably appropriate, in the ITC SEC Filings and Entergy SEC Filings to be prepared pursuant to Section 5.05, (v) amending or seeking Consents with respect to any currently outstanding Indebtedness of any of the Parties that are reasonably necessary to effectuate the ITC Financing and the Financings, provided, however, that the payment of fees and expenses in connection with amendments or Consents for Indebtedness of the Entergy Group will be the obligation of Entergy and fees and expenses in connection with amendments or Consents for Indebtedness of the ITC Group (excluding the TransCo Group) will be the obligation of ITC, (vi) taking all other actions reasonably necessary in connection with the ITC Financing and the Financings, including any such actions required to permit the assumption by the Surviving Company of the TransCo Securities at the Effective Time and (vii) at the election of ITC, arranging for a revolving credit facility or facilities to be in place at TransCo and/or one or more of the TransCo Subs as of the Closing, under which borrowings would not be permitted until after the consummation of the Merger, and taking such other actions as requested by ITC and reasonably necessary in connection therewith; provided, however, that nothing in this Section 5.01(e) shall require Entergy or any other member of the Entergy Group to (w) pledge or otherwise encumber any Excluded Assets or pledge or otherwise encumber the equity interests of TransCo or any TransCo Sub prior to the Separation Time or (x) provide any guarantee, surety, indemnification or otherwise incur any Liability with respect to the TransCo Securities or the TransCo Subs Financings after the Effective Time (other than payment of fees or expenses incurred prior to that date); provided, further, that nothing in this Section 5.01(e) shall require ITC or any other member of the ITC Group to (y) pledge or otherwise encumber any Assets (other than the Transmission Assets) or pledge or otherwise encumber the equity interests of any entity other than TransCo or any TransCo Sub or (z) provide any guarantee, surety, indemnification or otherwise incur any Liability with respect to the TransCo Securities or the TransCo Subs Financings prior to the Effective Time. Entergy and TransCo shall, and shall cause each Utility OpCo to, use all reasonable best efforts to cause Deloitte & Touche LLP, the independent auditors of Entergy, TransCo and each Utility OpCo, to provide any unqualified opinions, consents or customary comfort letters with respect to the financial statements of Entergy, TransCo and the TransCo Subs needed in connection with the ITC Financing and the Financings in form and substance reasonably satisfactory to ITC and customary in scope and substance for letters delivered by independent public accountants in an underwritten public offering (including with respect to events subsequent to the date of financial statements included in any offering document). Entergy agrees to allow ITC's accounting representatives the opportunity to review any such financial statements required in connection therewith and to allow such representatives reasonable access to the records of Entergy, TransCo and each Utility OpCo and supporting documentation with respect to the preparation of such financial statements; provided, however, that such access shall not include any right to review the working papers of the independent auditors of Entergy and its Subsidiaries. Entergy shall use its reasonable best

efforts to cause Deloitte & Touche LLP to participate in the preparation of any pro forma financial statements necessary or desirable for inclusion in, or incorporation by reference into, the ITC Form S-4 and for use in connection with the ITC Financing.

(f) Notwithstanding anything to the contrary in this Agreement, reasonable best efforts, including with respect to the matters contemplated by this Section 5.01, shall not require Entergy or any of its Subsidiaries to agree to or accept any term or condition to any Regulatory Approval, or any Regulatory Approval, that includes terms or conditions that, individually or in the aggregate, would reasonably be expected to have a material and adverse impact on the value, financial condition or credit quality of TransCo and its Subsidiaries or the Utility OpCos (provided, however, that for purposes of determining whether a material adverse effect has occurred, the Utility OpCos shall be deemed to be a consolidated group of entities of the size and scale of TransCo and its Subsidiaries) (an “Entergy Burdensome Condition”). ITC shall not, and shall not permit its Subsidiaries, to agree with any Governmental Authority or other Person to any term or condition to any Regulatory Approval without the prior written consent of Entergy that would adversely impact any member of the Entergy Group after the Closing.

(g) Notwithstanding anything to the contrary in this Agreement, reasonable best efforts, including with respect to the matters contemplated by this Section 5.01, shall not require ITC or any of its Subsidiaries to agree to or accept any term or condition to any Regulatory Approval, or any Regulatory Approval that includes terms or conditions, if the terms and conditions of or to the Regulatory Approvals would reasonably be expected to (i) (x) with respect to the Non-FERC Approvals, have a material and adverse impact on the value, financial condition or credit quality of TransCo and its Subsidiaries, taken as a whole, relative to the value, financial condition or credit quality of TransCo and its Subsidiaries, taken as a whole, if no such terms and conditions to the Regulatory Approvals were agreed, accepted, imposed or ordered (provided, however, that for purposes of determining any such material and adverse impact, any impact on ITC and its Subsidiaries shall be deemed to be an impact on TransCo and its Subsidiaries) or (y) with respect to the FERC Approvals, result in a return on equity, target capital structure, formula rate structure and other rate elements for the TransCo Group that, when taken as a whole, would be materially less favorable to TransCo and its Subsidiaries than those requested in the applications therefor filed pursuant to Section 5.01(b) or (ii) result in a determination that any member of the ITC Group (x) shall no longer (or in the case of the TransCo and its Subsidiaries, shall not) be deemed independent by FERC or (y) shall be subject to regulation by any state or local Commission (other than to the extent any such regulation relates to customary electric transmission facility franchise or siting matters within the jurisdiction of such Commission) (each an “ITC Burdensome Condition”). Entergy shall not, and shall not permit its Subsidiaries, to agree with any Governmental Authority or other Person to any term or condition to any Regulatory Approval without the prior written consent of ITC that would adversely impact any member of the ITC Group (including TransCo and the TransCo Subs) after the Closing.

(h) To the extent that any Regulatory Approvals include terms and conditions that will result in the incurrence of costs (including by the Utility OpCos) in order to comply with such terms and conditions but which are not sufficiently significant to result in the occurrence of an Entergy Burdensome Condition or an ITC Burdensome Condition, it is agreed

by the Parties that the Entergy Group and the ITC Group shall share such costs equally, and any true-up required between the Parties to effect this allocation (including a possible adjustment to the Special Dividend or an increase in the Transaction Maximum Principal Amount) shall be made in a tax efficient manner, subject to regulatory approvals.

Section 5.02 Public Announcements. Except with respect to an ITC Change of Recommendation, Entergy and ITC agree that, from the date of this Agreement through the Closing Date, no release or announcement concerning this Agreement, the Other Transaction Agreements or the Transactions shall be issued by ITC or Entergy without the prior written consent of Entergy or ITC, respectively (which consent shall not be unreasonably withheld, conditioned or delayed), except as such release or announcement (i) may be required by applicable Law or the regulations of any applicable securities exchange or (ii) is consistent with previous press releases, public disclosures or public statements made jointly by the Parties or in investor conference calls, SEC filings, Q&As or other documents approved by the Parties.

Section 5.03 Financial Statements.

(a) Entergy shall use reasonable best efforts to, as promptly as practicable after the date hereof and no later than June 30, 2012, provide ITC with (i) the audited combined financial statements of the Transmission Business, including the combined balance sheets (or other comparable statements as permitted under applicable securities Law) of the Transmission Business as of December 31, 2010 and December 31, 2011, and the combined statements of income (or statements of revenues and direct expenses, or other comparable statements as permitted under applicable securities Law), equity and cash flows (or other comparable statements as permitted under applicable securities Law) of the Transmission Business for the fiscal years ended December 31, 2009, December 31, 2010 and December 31, 2011 (collectively, the “Audited Financial Statements”) and (ii) the unaudited combined financial statements of the Transmission Business for applicable interim periods required for SEC filings, including to the extent required for SEC filings or the Financings or ITC Financing, for the periods ended March 31, 2010, June 30, 2010, September 30, 2010, March 31, 2011, June 30, 2011, September 30, 2011 and March 31, 2012, in each case together with the notes thereto if and to the extent that notes are required for SEC filings or the Financings or ITC Financing and, in the case of the Audited Financial Statements, a report of the independent accountants for the Transmission Business, prepared from the books and records of Entergy and in accordance with GAAP (with no exception or qualification thereto) applied on a consistent basis throughout the periods involved (except as may otherwise be required under GAAP) and the rules and regulations of the SEC, including the requirements of Regulation S-X and Regulation S-K under the Exchange Act and the Securities Act and of the type and form customarily included in offering documents used in private placements under Rule 144A of the Securities Act (including pro forma financial information), and which present fairly in all material respects the combined financial position and combined results of operations of the Transmission Business as of the dates and for the periods shown therein.

(b) After June 30, 2012, Entergy shall use reasonable best efforts to, as promptly as practicable and no later than forty-five (45) calendar days after the end of any fiscal quarter or ninety (90) calendar days after the end of any fiscal year, prepare and furnish to ITC copies of combined financial statements of the Transmission Business as of and for the periods

ending on any fiscal quarterly and annual periods ending after the date of this Agreement and prior to the Closing Date, in each case together with the notes thereto, if and to the extent that notes are required for SEC filings or the Financings or ITC Financing, and prepared from the books and records of Entergy and in accordance with GAAP (with no exception or qualification thereto except that notes to quarterly Transmission Business financial statements shall only be prepared and furnished if necessary for SEC filings or the Financings or ITC Financing) applied on a consistent basis through the periods involved (except as may otherwise be required under GAAP) and the rules and regulations of the SEC to the extent required for SEC filings or the Financings or ITC Financing, including the requirements of Regulation S-X and Regulation S-K under the Exchange Act and the Securities Act and of the type and form customarily included in offering documents used in private placements under Rule 144A of the Securities Act (including pro forma financial information), and, in the case of the combined financial statements of the Transmission Business for any fiscal year, shall be accompanied by a report of the independent accountants for the Transmission Business. When delivered, such financial statements shall present fairly in all material respects the combined financial position and combined results of operations of the Transmission Business as of the dates and for the periods shown therein. Entergy acknowledges that ITC's ability to comply with its obligations under Section 5.05 depend, in part, on Entergy's timely compliance with this Section 5.03, and therefore ITC shall be afforded a reasonable period to comply with such obligations based upon the timing of Entergy providing the financial statements herein contemplated.

(c) In connection with the production of the Audited Financial Statements and as promptly as practicable after the date of this Agreement and no later than when the Audited Financial Statements are delivered, the accounting firm preparing the Audited Financial Statements shall conduct a review of the Rate Base Statement. The terms of any review shall be mutually agreed by Entergy and ITC each acting reasonably. Any costs associated with the review of the Rate Base Statement shall be borne and paid by ITC.

Section 5.04 Access. From the date hereof to the earlier of the Effective Time or the Termination Date, to the extent permitted by Law, each of Entergy and ITC shall allow all designated Representatives of Entergy or ITC, as the case may be, access at reasonable times upon reasonable notice and in a manner as shall not adversely impact the conduct of the business of either Party or the Transmission Business in any material respect to the personnel, books and records, files, correspondence, audits and properties (except as related to Taxes), as well as to all information relating to commitments, Contracts, titles, insurance, operational data, results of operations, and financial position, or otherwise pertaining primarily to the business and affairs of the Transmission Business and ITC and its Subsidiaries, as the case may be; provided, however, that (i) no investigation pursuant to this Section 5.04 shall modify or qualify any representation or warranty given by any Party hereunder and (ii) notwithstanding the provision of information or investigation by any Party, no Party shall be deemed to make any representation or warranty except as expressly set forth in this Agreement. Notwithstanding the foregoing, (A) no Party shall be required to provide any information which it determines in good faith it may not provide to the other Party by reason of applicable Law (including any information in confidential personnel files), which such Party determines in good faith constitutes information protected by attorney/client privilege or which it is required to keep confidential by reason of Contracts with third parties and (B) no Party shall be required to provide access to any of its properties if such access would result in damage to such property or if such access is for the purpose of performing

any onsite procedure or investigation (including any Phase II or other onsite environmental investigation or study but not including any Phase I environmental investigation or other environmental investigation that does not include any sampling or testing), without that Party's written consent, which consent shall not be unreasonably withheld, conditioned or delayed. The Parties shall make reasonable and appropriate substitute disclosure arrangements under circumstances in which the restrictions in clauses (A) and (B) of the preceding sentence apply. Each of Entergy and ITC agrees that it shall not, and shall cause its respective Representatives not to, use any information obtained pursuant to this Section 5.04 for any purpose unrelated to the Transactions and operation of the Transmission Business. The Parties hereby agree that the Confidentiality Agreements shall govern all information provided to them or their respective officers, directors, employees or Representatives in connection with this Agreement and the consummation of the Transactions.

Section 5.05 Preparation of SEC Filings.

(a) As promptly as practicable following the provision of the Audited Financial Statements contemplated by Section 5.03, to the extent such filings are required by applicable Law, Entergy and ITC shall jointly prepare, and (i) ITC shall file with the SEC a registration statement on Form S-4 (together with any amendments, prospectuses or supplements thereto, the "ITC Form S-4") to register the shares of ITC Common Stock to be issued in the Merger, and a proxy statement (together with any amendments or supplements thereto, the "Proxy Statement") relating to the ITC Shareholder Approval, (ii) TransCo shall file with the SEC a registration statement on Form 10/S-4 or a registration statement on Form S-1/S-4, as applicable (either, and together with any amendments, supplements, prospectus or information statements thereto, the "TransCo Registration Statements") to register the TransCo Common Units to be distributed in the Distribution, (iii) promptly after the ITC Form S-4 and the TransCo Registration Statements have been declared effective, Entergy shall file with the SEC a Schedule TO (together with any amendments thereto, the "Schedule TO") if Entergy elects to effect the Distribution in whole or in part by means of an Exchange Offer and (iv) the Parties shall file such other appropriate documents with the SEC as may be applicable.

(b) Each of Entergy and ITC shall use their reasonable best efforts to have the TransCo Registration Statements, the ITC Form S-4 and other registration statements as may be required declared effective under the Exchange Act or Securities Act, as applicable, as promptly as practicable after such filing. ITC shall use its reasonable best efforts to cause the Proxy Statement to be mailed to ITC's shareholders on a date mutually agreed after the TransCo Registration Statements and the ITC Form S-4 are declared effective under the Securities Act.

(c) Entergy shall furnish all information concerning Entergy and TransCo, and ITC shall furnish all information concerning ITC and Merger Sub, as may be reasonably requested in connection with any such action and the preparation, filing and distribution of the Proxy Statement, the ITC Form S-4, the TransCo Registration Statements and the Schedule TO. No filing of, or amendment or supplement to, the Proxy Statement or the ITC Form S-4 shall be made by ITC, no filing of, or amendment or supplement to, the TransCo Registration Statements shall be made by TransCo and no filing of, or amendment or supplement to, the Schedule TO shall be made by Entergy, in each case without providing the other Parties a reasonable opportunity to review and comment thereon.

(d) If at any time prior to the Effective Time any information relating to Entergy or ITC or any of their respective Affiliates, officers or directors should be discovered by Entergy or ITC which should be set forth in an amendment or supplement to any of the Proxy Statement, the ITC Form S-4, the TransCo Registration Statements or the Schedule TO, so that any such document would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Party which discovers such information shall promptly notify the other Parties and an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and, to the extent required by Law, disseminated to the applicable shareholders.

(e) The Parties shall notify each other promptly of the receipt of any comments from the SEC or its staff and of any request by the SEC or its staff for amendments or supplements to the Proxy Statement, the ITC Form S-4, the TransCo Registration Statements or the Schedule TO or for additional information and shall supply each other with copies of all correspondence between it or any of its Representatives, on the one hand, and the SEC or its staff, on the other hand, with respect thereto and shall give the other Parties a reasonable opportunity to review and comment on any proposed response or compliance with any such request and thereafter shall respond as promptly as practicable to any such comments or requests.

Section 5.06 ITC Shareholder Meeting.

(a) As promptly as practicable following the provision of the Audited Financial Statements contemplated by Section 5.03 and the date on which the SEC shall clear (whether orally or in writing) the Proxy Statement, in compliance with applicable Law, ITC shall establish a record date for, duly call, give notice of, convene and hold a meeting of its shareholders (the "ITC Shareholder Meeting") for purposes which shall include obtaining the ITC Shareholder Approval. ITC may adjourn or postpone the ITC Shareholder Meeting (i) to the extent necessary to ensure that any supplement or amendment to the Proxy Statement that it determines in good faith is required by applicable Law is disseminated, (ii) if, as of the date and time on which the ITC Shareholder Meeting is originally scheduled to be held, there are insufficient shares of ITC Common Stock represented (either in person or proxy) to constitute a quorum necessary to conduct the business of the ITC Shareholder Meeting or (iii) if, as of the date and time on which the ITC Shareholder Meeting is originally scheduled to be held, postponing or adjourning of the ITC Shareholder Meeting is necessary to enable ITC to solicit additional proxies if there are not sufficient votes in favor of the ITC Shareholder Approval.

(b) Subject to Section 5.07, the Board of Directors of ITC shall recommend that ITC's shareholders give the ITC Shareholder Approval, and such recommendation shall be set forth in the Proxy Statement.

Section 5.07 No Solicitation by ITC.

(a) ITC agrees that, following the date of this Agreement and prior to the earlier of the Effective Time or the Termination Date, neither it nor any of its Subsidiaries, nor any of their respective officers, directors or employees, shall, and that it shall use its reasonable best efforts to cause its and their respective Representatives not to (and shall not

authorize or permit its and their respective Representatives to), directly or indirectly: (i) solicit, initiate, seek or knowingly encourage (including by way of furnishing information) or knowingly take any other action designed to facilitate any inquiries or the making, submission or announcement of any ITC Takeover Proposal, (ii) furnish any nonpublic information regarding ITC or any of its Subsidiaries to any Person (other than Entergy) in connection with or in response to an ITC Takeover Proposal, (iii) engage or participate in any discussions or negotiations with any Person (other than Entergy) with respect to any ITC Takeover Proposal, (iv) approve, endorse or recommend any ITC Takeover Proposal or (v) enter into any letter of intent, agreement in principle or other agreement providing for any ITC Takeover Transaction (except as contemplated by Section 7.01(h)); provided, however, that this Section 5.07 shall not prohibit (A) ITC, or the Board of Directors of ITC, directly or indirectly through any officer, employee or Representative, prior to the receipt of the ITC Shareholder Approval, from furnishing nonpublic information regarding ITC or any of its Subsidiaries to, or entering into or participating in discussions or negotiations with, any Person in response to an unsolicited, bona fide written ITC Takeover Proposal that the Board of Directors of ITC concludes in good faith, after consultation with its financial advisors, constitutes or is reasonably likely to lead to an ITC Superior Proposal if (1) the Board of Directors of ITC concludes in good faith, after consultation with its outside legal counsel, that the failure to take such action with respect to such ITC Takeover Proposal would be reasonably likely to be inconsistent with the exercise by the Board of Directors of its duties under applicable Laws, (2) such ITC Takeover Proposal did not result from a material breach of this Section 5.07(a), (3) ITC gives to Entergy the notice required by Section 5.07(b) and (4) ITC furnishes any nonpublic information provided to the maker of the ITC Takeover Proposal only pursuant to a confidentiality agreement between ITC and such Person on terms no less favorable to ITC than the Confidentiality Agreement (provided, however, that such confidentiality agreement shall not in any way restrict ITC from complying with its disclosure obligations under this Agreement, including with respect to such proposal), and such furnished information is delivered to Entergy at substantially the same time (to the extent such information has not been previously furnished or made available by ITC to Entergy) or (B) ITC from taking and disclosing to the ITC Shareholders a position contemplated by Rule 14d-9 and Rule 14e-2(a) promulgated under the Exchange Act with regard to any ITC Takeover Proposal, provided, however, that compliance with such rules shall not in any way limit or modify the effect that any action taken pursuant to such rules has under any other provision of this Agreement and in no event shall ITC or the Board of Directors of ITC or a committee thereof take any action that would constitute an ITC Change of Recommendation in respect of an ITC Takeover Proposal other than in compliance with Section 5.07(d).

(b) ITC shall promptly, and in no event later than twenty-four (24) hours after its receipt of any ITC Takeover Proposal, or any first request for nonpublic information relating to ITC or any Subsidiaries in connection with an ITC Takeover Proposal, advise Entergy orally and in writing of such ITC Takeover Proposal or request, and, (x) if it is in writing, a copy of such ITC Takeover Proposal and any related draft agreements and (y) if oral, a reasonably detailed summary of any such ITC Takeover Proposal that is made or submitted by any Person during the period between the date hereof and the Closing. ITC shall (i) keep Entergy informed in all material respects on a prompt basis with respect to any change to the status or material terms of any such ITC Takeover Proposal (and in no event later than twenty-four (24) hours following any such change) and (ii) provide to Entergy as soon as practicable after receipt or delivery thereof with copies of all material correspondence and other written

material sent or provided to ITC from any third party in connection with any ITC Takeover Proposal or sent or provided by ITC to any third party in connection with any ITC Takeover Proposal.

(c) Upon the execution of this Agreement, ITC shall, and shall cause its Subsidiaries and its and their respective officers, directors and employees, and shall use its reasonable best efforts to cause its and their respective Representatives to, immediately cease and terminate any discussions existing as of the date of this Agreement between ITC or any of its Subsidiaries or any of their respective officers, directors, employees or Representatives and any Person (other than Entergy) that relate to any ITC Takeover Proposal and, to the extent provided by the applicable confidentiality agreement or similar agreement governing such discussions, require any third party to such discussions to return to ITC or to destroy all confidential information of ITC and its Subsidiaries. ITC agrees not to, and to cause its Subsidiaries not to, waive, or otherwise release any third party from, the confidentiality and standstill provisions of any agreement to which ITC or any of its Subsidiaries is or may become a party.

(d) Except as contemplated by this Section 5.07(d), neither the Board of Directors of ITC nor any committee thereof shall (i) (A) withhold, withdraw, qualify or modify, or resolve to or publicly propose to withhold, withdraw, qualify or modify the ITC Recommendation in a manner adverse to Entergy, (B) make any other public statement in connection with the ITC Shareholder Meeting or this Agreement, the Other Transaction Agreements or any of the transactions contemplated hereby or thereby inconsistent with the ITC Recommendation, (C) approve, adopt or recommend any ITC Takeover Proposal or (D) fail to reaffirm or re-publish the ITC Recommendation within ten (10) Business Days of being requested by Entergy to do so (provided, however, that Entergy shall not be entitled to request such a reaffirmation or re-publishing more than one (1) time with respect to any single ITC Takeover Proposal other than in connection with an amendment to the financial terms of such ITC Takeover Proposal or any other material amendment to such ITC Takeover Proposal) (each such action set forth in clauses (A) through (D) above being an “ITC Change of Recommendation”) or (ii) approve, adopt or recommend, or publicly propose to approve, adopt or recommend, a merger agreement, letter of intent, agreement in principle, share purchase agreement, asset purchase agreement, share exchange agreement, option agreement or other similar contract (other than the confidentiality agreement referred to in Section 5.07(a)) or any tender offer providing for, with respect to, or in connection with any ITC Takeover Proposal. Notwithstanding anything else to the contrary in this Section 5.07, the Board of Directors of ITC may at any time prior to receipt of the ITC Shareholder Approval (i) make an ITC Change of Recommendation and (ii) terminate this Agreement pursuant to Section 7.01(h), if (and only if) (A) an ITC Takeover Proposal is made to ITC by a third party, and such offer is not withdrawn, (B) the Board of Directors of ITC determines in good faith after consultation with its financial advisors that such offer constitutes an ITC Superior Proposal, (C) following consultation with outside legal counsel, the Board of Directors of ITC determines that the failure to make an ITC Change of Recommendation, or to terminate this Agreement pursuant to Section 7.01(h) of this Agreement, would be reasonably likely to be inconsistent with the exercise of its duties under applicable Laws and (D) the Board of Directors of ITC has provided to Entergy five (5) Business Days prior written notice of its intent to effect an ITC Change of Recommendation (which notice shall include the reasonable details regarding the cause for, and nature of, the ITC Change of Recommendation) and, if requested by Entergy, negotiated in good faith with Entergy during

such five (5) Business Day period regarding revisions to this Agreement proposed by Entergy. The Board of Directors of ITC may not make an ITC Change of Recommendation in a manner adverse to Entergy except in compliance in all respects with this Section 5.07(d); provided, however, that a public disclosure by ITC or the Board of Directors of ITC or any committee thereof limited to a factual description of information that ITC or the Board of Directors in its respective reasonable judgment determines is required to be disclosed by applicable Law shall not constitute an ITC Change of Recommendation and shall not be prohibited by this Section 5.07(d). For the avoidance of doubt, a change of the ITC Recommendation to “neutral” is an ITC Change of Recommendation.

(e) As used in this Agreement:

(i) “ITC Takeover Proposal” shall mean any bona fide offer, inquiry, proposal or indication of interest received from a third party (other than an offer, inquiry, proposal or indication of interest by a Party to this Agreement) relating to any ITC Takeover Transaction;

(ii) “ITC Takeover Transaction” shall mean any transaction or series of related transactions involving: (a) any merger, consolidation, share exchange, recapitalization, business combination or similar transaction involving ITC other than the Transactions; (b) any direct or indirect acquisition of securities, tender offer, exchange offer or other similar transaction in which a Person or “Group” (as defined in the Exchange Act) of Persons directly or indirectly acquires beneficial or record ownership of securities representing fifteen percent (15%) or more of any class of equity securities of ITC; (c) any direct or indirect acquisition of any business or businesses or of Assets that constitute or account for fifteen percent (15%) or more of the consolidated net revenues, net income or Assets of ITC and its Subsidiaries, taken as a whole; or (d) any liquidation or dissolution of ITC or any of its Subsidiaries; and

(iii) “ITC Superior Proposal” shall mean an ITC Takeover Proposal to acquire at least a majority of the outstanding equity securities or assets of ITC on terms that the Board of Directors of ITC determines, in good faith, after consultation with its outside legal counsel and its financial advisor, is more favorable, from a financial point of view, to ITC’s shareholders than the Transactions (including any proposed modifications to the Transactions which are committed to in writing by Entergy) and is reasonably likely to be consummated, taking into account all factors deemed relevant by the ITC Board of Directors, which may include (a) all financial considerations and financial aspects of such ITC Takeover Proposal and the Transactions, (b) all strategic considerations, including whether such ITC Takeover Proposal is more favorable from a long-term strategic standpoint, (c) all legal and regulatory considerations of such ITC Takeover Proposal and the Merger and other Transactions, (d) the identity of the third party making such ITC Takeover Proposal, (e) the conditions and likelihood of completion of such ITC Takeover Proposal as compared to the Merger and other Transactions (taking into account any necessary regulatory approvals), (f) whether such ITC Takeover Proposal is likely to impose material obligations on ITC (or the post-closing entity in which ITC’s shareholders will hold securities) in connection with obtaining necessary regulatory approvals, (g) whether such ITC Takeover Proposal is

subject to a financing condition and the likelihood of such ITC Takeover Proposal being financed and (h) the payment of any ITC Termination Fee, if relevant.

Section 5.08 No Solicitation by Entergy of Transmission Business. Entergy agrees that, following the date of this Agreement and prior to the earlier of the Effective Time or the Termination Date, neither it nor any of its Subsidiaries, nor any of their respective officers, directors or employees, shall, and that it shall use its reasonable best efforts to cause its and their respective Representatives not to (and shall not authorize or permit its and their respective Representatives to), directly or indirectly: (i) solicit, initiate, seek or knowingly encourage (including by way of furnishing information) or knowingly take any other action designed to facilitate any inquiries, proposals or offers from any Person relating to, (ii) furnish any nonpublic information to any Person (other than ITC) regarding, (iii) engage or participate in any discussions or negotiations with any Person (other than ITC) with respect to, (iv) approve, endorse or recommend any action relating to or (v) enter into any letter of intent, agreement in principle or other agreement providing for, in each case, any purchase, transfer or other disposition of all or any part of the Transmission Business, any merger, consolidation, business combination, acquisition, recapitalization, liquidation, dissolution, or similar transaction involving the Transmission Business, or the sale of all or any part of the Assets of the Transmission Business (other than Assets sold in accordance with Section 4.01(c)).

Section 5.09 NYSE Listing. ITC shall use its reasonable best efforts to cause the shares of ITC Common Stock to be issued in connection with the Merger to be listed on the NYSE as of the Effective Time, subject to official notice of issuance.

Section 5.10 Required Amendments. The Parties shall cooperate and negotiate in good faith with respect to any amendment to this Agreement or the Other Transaction Agreements reasonably requested by a Party in order to enable its counsel to deliver the written opinion(s) contemplated by Section 6.02 or Section 6.03 of this Agreement or for Entergy to obtain the Ruling, as the case may be (any such amendment, a "Proposed Amendment"). Neither Party shall withhold its consent to a Proposed Amendment that (i) does not result in any change in the Merger Consideration (except as otherwise contemplated by this Agreement), (ii) is not adverse to the interests of any Party and (iii) does not unreasonably impede or delay consummation of the Transactions in any material respect. Any Proposed Amendment that the Parties consent to shall be reflected through the execution of appropriate written amendments to the applicable agreement.

Section 5.11 [Intentionally omitted]

Section 5.12 ITC Guarantee; Indemnification. Following the Effective Time, ITC unconditionally, absolutely and irrevocably guarantees to Entergy the prompt payment, in full, when due, of any payment obligations of TransCo or the TransCo Subs under the Separation Agreement and the Ancillary Agreements after the Closing and the prompt performance, when due, of all other obligations of TransCo or any TransCo Sub under the Separation Agreement and the Ancillary Agreements after the Closing. ITC's obligations to Entergy under this Section 5.12 are referred to as the "Guaranteed Obligations." The Guaranteed Obligations are absolute and unconditional, irrespective of, and ITC hereby expressly waives to the extent permitted by Law, any defense to its obligations under this Section 5.12 any circumstance whatsoever which might

otherwise constitute a legal or equitable defense available to, or discharge of, a surety or a guarantor, including without limitation, any right to require or claim that Entergy seek recovery directly from TransCo or a TransCo Sub in respect of the Guaranteed Obligations. Notwithstanding the foregoing, ITC reserves to itself all rights, setoff, counterclaims and other defenses to which the TransCo Group may be entitled to arising from or out of the Separation Agreement and the Ancillary Agreements or otherwise, except for defenses arising out of bankruptcy, insolvency, dissolution or liquidation of TransCo or any TransCo Sub.

Section 5.13 Non-Opposition. After the FERC Construct is initially set in the FERC Approvals, and for a period of five (5) years after the Closing Date, Entergy shall not (and shall cause its Affiliates not to), oppose, contest, challenge or file any complaint before FERC or the Commissions regarding, or take (publicly or otherwise) any position with any third Person adverse to, the FERC Construct, unless (i) required by a Governmental Authority pursuant to applicable Law, (ii) unanimously directed by the ERSC or (iii) requested in writing by an act of the commissioners of any Entergy Retail Regulator. After the FERC Construct is initially set in the FERC Approvals, and for a period of five (5) years after the Closing Date, Entergy shall not (and shall cause its Affiliates not to) publicly oppose, contest or challenge, with any third Person, the plan of TransCo or ITC, approved by the Acceptable RTO of which the Transmission Business will become a member, for anticipated capital expenditures that are included in the capital expenditure plan as described in Section 5.13 of the ITC Disclosure Letter, and recovery thereon, through the FERC Construct, unless and to the extent (i) required by a Governmental Authority pursuant to applicable Law, (ii) such plan is opposed by all of the members of the ERSC or (iii) requested in writing by an act of the commissioners of any Entergy Retail Regulator, provided, however, that this prohibition does not apply to the extent that TransCo or ITC departs from such plan in any material respect.

Section 5.14 Disclosure Controls. Each of ITC and Entergy shall use all commercially reasonable efforts to enable ITC to implement such programs and take such steps as are reasonably necessary to (i) develop a system of internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) intended to ensure that after the Effective Time material information relating to the Surviving Company is timely made known to the management of the Surviving Company by others within the entities constituting the Surviving Company, (ii) cooperate reasonably with each other in preparing for the transition and integration of the financial reporting systems of TransCo and the TransCo Subs with ITC's financial reporting systems following the Effective Time and (iii) otherwise enable the Surviving Company to maintain compliance with the provisions of Section 404 of the Sarbanes-Oxley Act.

Section 5.15 Tax Matters.

(a) As soon as reasonably practicable after the date of this Agreement, Entergy shall submit to the IRS the Ruling Request for the Ruling. The initial Ruling Request and any supplemental materials submitted to the IRS relating thereto (each, an "IRS Submission") shall be prepared by Entergy in consultation with ITC, and, at ITC's request, ITC shall be a party to the Ruling. In addition, Entergy shall, to the extent reasonably practicable, provide ITC with an opportunity to review and comment on each IRS Submission prior to the filing of such IRS Submission with the IRS; provided, however, that Entergy need not provide ITC with an opportunity to comment on a given IRS Submission if Entergy has reasonably determined that an

adverse effect would result from delaying such IRS Submission and ITC fails to provide Entergy with comments on such IRS Submission within three (3) Business Days of receipt thereof by ITC.

(b) Entergy shall provide ITC with copies of each IRS Submission as filed with the IRS promptly following the filing thereof. Each of Entergy and TransCo agrees to use reasonable best efforts to obtain the Ruling and the other rulings set forth in the Ruling Request, including providing such appropriate information and representations as the IRS shall require in connection with the Ruling Request and any IRS Submissions, and ITC shall reasonably cooperate with Entergy and TransCo in obtaining such rulings; provided, however, that neither Entergy nor ITC shall be required to modify the corporate structuring steps of the Transactions if to do so would alter the economic arrangement of the Parties as set forth in this Agreement and the Separation Agreement. Solely for the avoidance of doubt, nothing in this Section 5.15(b) shall provide grounds for Entergy, TransCo, or ITC to alter any obligation or limitation imposed upon it under this Agreement or the Other Transaction Agreements.

(c) Each of Entergy and TransCo agrees to use reasonable best efforts to obtain the Tax Opinion, and ITC shall reasonably cooperate with Entergy and TransCo in obtaining such opinion; provided, however, that neither Entergy nor ITC shall be required to modify the corporate structuring steps of the Transactions if to do so would alter the economic arrangement of the Parties as set forth in this Agreement and the Separation Agreement. In rendering the Tax Opinion, counsel shall be permitted to rely upon and assume the accuracy of customary representations provided by (A) ITC and Merger Sub and (B) Entergy; provided, however, that Entergy shall not make any representation that will affect either TransCo or ITC on or after the date of the Distribution without the prior written consent of ITC.

(d) Except as specifically provided in this Agreement, all matters related to the Ruling, Ruling Request and IRS Submissions are governed solely by this Section 5.15.

Section 5.16 Alternative Transaction Structures. Notwithstanding any other provisions of this Agreement, the Parties may mutually agree that an alternative transaction structure is preferable with respect to certain aspects of this Transaction, in which case the Parties shall work together in good faith to negotiate a definitive transaction agreement that reflects such mutually agreed alternative structure. Without limiting the express rights of the Parties contained in this Agreement (including the conditions precedent and termination rights hereunder), Entergy and ITC agree to reasonably cooperate in good faith in the consideration and implementation of alternative structures in the event that any particular Non-FERC Approvals are not obtained (or not obtainable on terms and conditions acceptable to the Parties as contemplated by the provisions of this Agreement); provided, however, that no Party shall be required to take any action pursuant to this Section 5.16 if the other Party or Parties is in material breach of this Agreement or any Other Transaction Agreement.

ARTICLE VI

CONDITIONS

Section 6.01 Joint Conditions. The respective obligations of each of Entergy, TransCo, Merger Sub and ITC to effect the Merger are subject to the satisfaction (or waiver by all Parties) at or prior to the Effective Time of the following conditions:

- (a) no temporary restraining order or preliminary or permanent injunction or other Order by any federal or state court of competent jurisdiction preventing consummation of the Merger or the Transactions shall have been issued and remain in effect;
- (b) the TransCo Transfer and the Distribution shall have occurred;
- (c) the ITC Shareholder Approval shall have been obtained;
- (d) the ITC Common Stock to be issued in the Merger shall have been authorized for listing on the NYSE, subject to official notice of issuance;
- (e) each of the ITC Form S-4 and the TransCo Registration Statements shall have become effective under the Securities Act and shall not be the subject of any stop order suspending their effectiveness or proceedings initiated or threatened by the SEC seeking a stop order, and (i) if the Distribution is effected in whole or in part as an Exchange Offer, the applicable offer period and any extensions thereof in the Exchange Offer required by applicable securities Law shall have expired and (ii) if the Distribution is effected in whole or in part as a Spin-Off, the applicable notice periods required by applicable stock exchange rules or securities Laws shall have expired;
- (f) no temporary restraining order or preliminary or permanent injunction or other Order shall have been issued in connection with an Entergy Regulatory Approval or ITC Regulatory Approval that would impose an ITC Burdensome Condition;
- (g) Entergy shall have received all necessary approvals from state and federal regulatory authorities to allow the Transmission Business to become a member of an Acceptable RTO; and
- (h) the Financings shall have been completed in accordance with and subject to the terms of the Separation Agreement.

Section 6.02 Conditions to the Obligation of ITC. The obligation of each of ITC and Merger Sub to effect the Merger is further subject to the satisfaction of each of the following conditions (each of which is for the exclusive benefit of ITC and Merger Sub and may be waived by ITC):

- (a) each of Entergy and TransCo shall have in all material respects performed (or caused their Affiliates to perform, as applicable) all obligations and complied with all covenants required by this Agreement and the Other Transaction Agreements to be performed on or before the Closing;

(b) each of the representations and warranties of Entergy (i) in this Agreement (other than Section 2.02, Section 2.03, Section 2.05(c), clause (ii) of Section 2.05(g), Section 2.11, and Section 2.17) shall be true and correct both at and as of the date of this Agreement and at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such date), except where the failure of the representations and warranties to be so true and correct (without giving effect to any limitation as to “materiality” or “Transmission Business MAE”) does not have, and would not reasonably be expected to have, individually or in the aggregate, a Transmission Business MAE, (ii) set forth in Section 2.02 and Section 2.03 shall be true and correct in all material respects both at and as of the date of this Agreement and at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such date) and (iii) set forth in Section 2.05(c), clause (ii) of Section 2.05(g), Section 2.11 and Section 2.17 shall be true and correct in all respects both at and as of the date of this Agreement and at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such date);

(c) no Transmission Business MAE shall have occurred from the date of this Agreement through the Closing Date;

(d) ITC shall have received a certificate of Entergy addressed to ITC and dated the Closing Date, signed on behalf of Entergy by a senior officer of Entergy, certifying to the effect that the conditions set forth in Section 6.02(a), Section 6.02(b) and Section 6.02(c) have been satisfied;

(e) ITC shall have received the ITC Merger Tax Opinion and Entergy shall have delivered the Ruling to ITC. In rendering the foregoing opinion, counsel shall be permitted to rely upon and assume the accuracy of customary representations provided by (i) ITC and Merger Sub and (ii) Entergy;

(f) there shall be no change in, revocation of, or amendment to the Ruling or change in Law that, in the reasonable judgment of ITC, has a materially adverse impact on ITC or TransCo, and the Tax Opinion shall be in form and substance reasonably acceptable to ITC;

(g) (i) the Entergy Regulatory Approvals and the ITC Regulatory Approvals shall have been obtained (including, in each case, the expiration or termination of the waiting periods (and any extensions thereof) applicable to the Merger and the Transactions) at or prior to the Effective Time, and such approvals shall have become Final Orders and (ii) such Final Orders shall not impose terms or conditions that individually or in the aggregate, would reasonably be expected to have an ITC Burdensome Condition. “Final Order” means action by the relevant Governmental Authority that has not been reversed, stayed, enjoined, set aside, annulled or suspended, with respect to which any waiting period prescribed by Law before the Transactions may be consummated has expired and as to which all conditions to the consummation of the Transactions prescribed by Law, regulation or order required to be satisfied at or prior to the Effective Time have been satisfied;

(h) the ITC Financing and a Special Dividend and/or a Share Repurchase shall have been completed in accordance with Section 1.03(e);

(i) in the event that the RTO Migration has not been fully completed as of the Closing Date, arrangements reasonably acceptable to ITC shall have been made such that no member of the ITC Group (including the members of the TransCo Group) would be responsible for performing generator dispatch, for economics or market operations, following the consummation of the Merger (it being understood that the contemplated performance by any member of the TransCo Group of the generator to load balancing function under the terms of the Transition Services Agreement shall not result in failure to satisfy this Section 6.02(i)); and

(j) Entergy shall have executed and delivered to ITC, and caused each other member of the Entergy Group or the TransCo Group who is a party to an Ancillary Agreement to execute and deliver to ITC, each of the Ancillary Agreements.

Section 6.03 Conditions to the Obligation of Entergy. The obligation of each of Entergy and TransCo to effect the Merger is subject to the further satisfaction of each of the following conditions (each of which is for the exclusive benefit of Entergy and TransCo and may be waived by Entergy unless otherwise provided in this Agreement):

(a) each of ITC and Merger Sub shall have in all material respects performed (or caused their Affiliates to perform, as applicable) all obligations and complied with all covenants required by this Agreement and the Other Transaction Agreements to be performed on or before the Closing;

(b) each of the representations and warranties of ITC (i) in this Agreement (other than Section 3.02 and Section 3.03, Section 3.05(e) and Section 3.18) shall be true and correct both at and as of the date of this Agreement and at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such date), except where the failure of the representations and warranties to be so true and correct (without giving effect to any limitation as to “materiality” or an “ITC MAE”) does not have, and would not reasonably be expected to have, individually or in the aggregate, an ITC MAE, (ii) set forth in Section 3.02 and Section 3.03 shall be true and correct in all material respects both at and as of the date of this Agreement and at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such date) and (iii) set forth in clause (i) of Section 3.05(e) and Section 3.18 shall be true and correct in all respects both at and as of the date of this Agreement and at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such date);

(c) no ITC MAE shall have occurred from the date of this Agreement through the Closing Date;

(d) the Board of Directors of Entergy shall have received an opinion from a nationally recognized solvency valuation firm, that, after giving effect to the Transactions (including the anticipated Financings), that the Transactions shall not leave TransCo “insolvent” or otherwise unable to pay its obligations as they come due;

(e) Entergy shall have received a certificate of ITC addressed to Entergy and dated the Closing Date, signed on behalf of ITC by an officer of ITC, certifying to the effect that the conditions set forth in Section 6.03(a), Section 6.03(b) and Section 6.03(c) have been satisfied;

(f) Entergy shall have received the Ruling; and Entergy shall have received the (i) Entergy Merger Tax Opinion and (ii) the Tax Opinion; provided that Entergy shall not be permitted to avoid Closing as a result of the foregoing condition as a result of any failure of Entergy to receive a ruling or opinion (or the receipt of an adverse ruling or opinion) with respect to (A) clause (iii) of the definition of Intended Tax-Free Treatment or (B) the arrangements contemplated by Section 1.20. There shall be no change in, revocation of, or amendment to the Ruling or change in Law that could, in the reasonable judgment of counsel to Entergy, affect the validity of the Ruling in a manner that is materially adverse to Entergy. In rendering the foregoing opinions, counsel shall be permitted to rely upon and assume the accuracy of customary representations provided by (A) ITC and Merger Sub and (B) Entergy;

(g) (i) the Entergy Regulatory Approvals and the ITC Regulatory Approvals shall have been obtained (including, in each case, the expiration or termination of the waiting periods (and any extensions thereof) applicable to the Merger and the Transactions) at or prior to the Effective Time, and such approvals shall have become Final Orders and (ii) such Final Orders, with respect to the Entergy Regulatory Approvals and the ITC Regulatory Approvals, as the case may be, shall not impose terms or conditions that, individually or in the aggregate, would reasonably be expected to have an Entergy Burdensome Condition or an ITC Burdensome Condition; and

(h) ITC shall have executed and delivered to Entergy each of the Ancillary Agreements to which it is a party.

ARTICLE VII

TERMINATION AND ABANDONMENT

Section 7.01 Termination or Abandonment. Notwithstanding anything in this Agreement to the contrary, this Agreement may be terminated and abandoned at any time prior to the Closing Date:

(a) by the mutual written consent of ITC and Entergy;

(b) by either Entergy or ITC if the Merger shall not have been consummated on or prior to June 30, 2013 (the “Outside Date”), provided, however, that if all of the conditions to Closing shall have been satisfied or shall be then capable of being satisfied (other than the conditions set forth in Section 6.01(f), Section 6.01(h), Section 6.02(g) (to the extent such failure is due to the failure to receive Final Orders in respect of any Regulatory Approvals) or Section 6.03(g) (to the extent such failure is due to the failure to receive Final Orders in respect of any Regulatory Approvals)), the Outside Date may be extended by Entergy or ITC by written notice to the other Party up to an additional six (6) months after the Outside Date, the latest of any of which dates shall thereafter be deemed to be the Outside Date; provided,

further, that the right to terminate this Agreement pursuant to this Section 7.01(b) shall not be available to a Party if the failure of the Closing to occur by such date shall be due to the failure of such Party to perform or comply in all material respects with the covenants and agreements of such Party set forth in this Agreement;

(c) by either Entergy or ITC if (A) there is any Law that makes consummation of the Transactions illegal or otherwise prohibited (other than those having only an immaterial effect and that do not impose criminal liability or penalties) or (B) any Governmental Authority having competent jurisdiction has issued an order, decree or ruling or taken any other action (which the terminating Party must have complied with its obligations hereunder to resist, resolve or lift) permanently restraining, enjoining or otherwise prohibiting any material component of the transactions hereunder or imposing an ITC Burdensome Condition, and such order, decree, ruling or other action becomes final and non-appealable, provided, however, that the right to terminate pursuant to this Section 7.01(c) shall not be available to any Party whose failure to perform any of its obligations under Section 5.01 resulted in such order, decree or ruling;

(d) by either ITC or Entergy if the ITC Shareholder Meeting (including any adjournments or postponements thereof) shall have concluded and the ITC Shareholder Approval contemplated by this Agreement shall not have been obtained; provided, however, that the right to terminate under this Section 7.01(d) shall not be available to ITC where the failure to obtain the ITC Shareholder Approval shall have been caused by ITC's material breach of this Agreement;

(e) by ITC, if Entergy shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement or the Separation Agreement, which breach or failure to perform (i) would result in a failure of a condition set forth in Section 6.01 or Section 6.02 or in the Separation Agreement and (ii) cannot be or has not been cured prior to the earlier to occur of (A) sixty (60) calendar days after the giving of written notice referred to in the following proviso or (B) the Outside Date, provided, however, that ITC shall have given Entergy written notice, delivered at least sixty (60) calendar days prior to such termination (but no later than the expected Closing Date), stating ITC's intention to terminate this Agreement pursuant to this Section 7.01(e) and the basis for such termination;

(f) by Entergy, if ITC shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement or the Separation Agreement, which breach or failure to perform (i) would result in a failure of a condition set forth in Section 6.01 or Section 6.03 or in the Separation Agreement and (ii) cannot be or has not been cured prior to the earlier to occur of (A) sixty (60) calendar days after the giving of written notice referred to in the following proviso or (B) the Outside Date, provided, however, that Entergy shall have given ITC written notice, delivered at least sixty (60) calendar days prior to such termination (but no later than the expected Closing Date), stating Entergy's intention to terminate this Agreement pursuant to this Section 7.01(f) and the basis for such termination;

(g) by Entergy, in the event ITC or any of its Subsidiaries or their respective Representatives or affiliates shall have willfully breached in any material respect any of their respective obligations under Section 5.07, which breach cannot be or has not been cured prior to the earlier to occur of (A) ten (10) calendar days after the giving of written notice referred to in the following proviso or (B) the Outside Date, provided, however, that Entergy shall have given ITC written notice, delivered at least ten (10) calendar days prior to such termination (but no later than the expected Closing Date), stating Entergy's intention to terminate this Agreement pursuant to this Section 7.01(g) and the basis for such termination;

(h) by ITC, at any time prior to obtaining the ITC Shareholder Approval, in order to enter into a written definitive agreement for an ITC Superior Proposal, if ITC has complied with its obligations under Section 5.07(d); provided, however, that any such purported termination by ITC pursuant to this Section 7.01(h) shall be void and of no force or effect unless ITC pays to Entergy the ITC Termination Fee in accordance with Section 7.02;

(i) by Entergy, if there has been an ITC Change of Recommendation;

(j) by Entergy, if (A) there is any Law that makes consummation of the Transactions illegal or otherwise prohibited (other than those having only an immaterial effect and that do not impose criminal liability or penalties) or (B) any Governmental Authority having competent jurisdiction has issued an order, decree or ruling or taken any other action (which the terminating Party must have complied with its obligations hereunder to resist, resolve or lift) permanently restraining, enjoining or otherwise prohibiting any material component of the transactions hereunder or imposing an Entergy Burdensome Condition, and such order, decree, ruling or other action becomes final and non-appealable, provided, however, that the right to terminate pursuant to this Section 7.01(j) shall not be available if Entergy's failure to perform any of its obligations under Section 5.01 resulted in such order, decree or ruling; and

(k) by ITC, if Entergy takes any action without the prior written consent of ITC that would reasonably be expected to cause an RTO Adverse Impact.

In the event of termination of this Agreement pursuant to this Section 7.01, this Agreement shall terminate (except for the provisions of the last two sentences of Section 5.04, Section 7.02, Section 8.02, Section 8.04, Section 8.05, Section 8.06 and Section 8.09), and, subject to Section 7.02, there shall be no other liability on the part of ITC or Entergy to the other except under such provisions, liability arising out of fraud or an intentional breach of this Agreement or the Separation Agreement or as provided for in the Confidentiality Agreements, in which case the aggrieved Party shall be entitled to all rights and remedies available at law or in equity.

Section 7.02 Effect of Termination.

(a) Entergy and ITC agree that (i) if this Agreement is terminated by (A) Entergy pursuant to Section 7.01(i) or (B) ITC pursuant to Section 7.01(h) or (ii) (A) if this Agreement is terminated by Entergy pursuant to Section 7.01(g), or by ITC or Entergy pursuant to Section 7.01(d), (B) prior to any such termination, any Person (other than Entergy or its Affiliates) shall have made an ITC Takeover Proposal which shall have been publicly announced or disclosed and not publicly withdrawn or abandoned by such Person at least five (5) Business

Days prior to the ITC Shareholder Meeting, and (C) within twelve (12) months after such termination of this Agreement, ITC shall have entered into an agreement to consummate, or shall have consummated, an ITC Takeover Transaction, then ITC shall pay to Entergy the ITC Termination Fee as liquidated damages. The ITC Termination Fee shall be paid to Entergy by ITC in immediately available funds (x) upon termination of this Agreement in the case of a termination pursuant to clause (i)(B) above, (y) within five (5) Business Days after termination in the case of a termination pursuant to clause (i)(A) above and (z) upon the execution of or entrance into a definitive agreement with respect to an ITC Takeover Transaction in the case of a termination pursuant to clause (ii) above.

(b) Solely for purposes of this Section 7.02, “ITC Takeover Transaction” shall have the meaning ascribed thereto in Section 5.07, except that all references to “fifteen percent (15%) or more” shall be changed to “more than fifty percent (50%).”

Each of the Parties acknowledges and agrees that the covenants and obligations contained in this Section 7.02 are an integral part of the transactions contemplated by this Agreement, and that, without these covenants and obligations, the Parties would not have entered into this Agreement and that the ITC Termination Fee is not a penalty, but rather is liquidated damages in a reasonable amount that will compensate Entergy and TransCo in the circumstances in which such ITC Termination Fee is payable for the efforts and resources expended and opportunities foregone while negotiating this Agreement, the Separation Agreement and the Ancillary Agreements and in reliance on this Agreement and on the expectation of the consummation of the Transactions, which amount would otherwise be impossible to calculate with precision. Upon payment of the ITC Termination Fee in accordance with this Section 7.02, none of ITC, Merger Sub and any of their respective former, current or future Affiliates or Representatives shall have any further liability to Entergy, TransCo or their respective shareholders with respect to this Agreement or the Transactions; provided, however, that Entergy shall have the right to elect in writing to sue for damages arising out of ITC’s intentional breach of this Agreement in lieu of (and prior to) payment of the ITC Termination Fee in circumstances in which the ITC Termination Fee would otherwise be payable, and upon such election in writing, Entergy shall no longer be entitled to payment of the ITC Termination Fee; provided, further, that nothing herein shall release ITC from liability for fraud. The Parties acknowledge and agree that in no event shall ITC be required to pay the ITC Termination Fee on more than one occasion.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Survival of Representations, Warranties and Agreements. Except as provided in the next sentence, none of the representations, warranties and agreements in this Agreement shall survive the Closing. Notwithstanding the preceding sentence, (a) the covenants contained in this Agreement that by their terms are to be performed in whole or part after the Closing shall survive the Closing until they have been performed in accordance with their terms and (b) the representations and warranties set forth in Section 2.05(c), Section 2.06, Section 2.11, Section 2.17, Section 3.06 and Section 3.18 shall survive until the one (1) year anniversary of the Closing, including with respect to the foregoing clauses (a) and (b) for purposes of the indemnification obligations set forth in Section 5.02, Section 5.03 and Section 5.04 of the

Separation Agreement and (c) the agreements in Section 5.12 shall survive the Closing indefinitely.

Section 8.02 Expenses.

(a) General Rule. Except as otherwise provided in this Agreement or any of the Other Transaction Agreements, all fees and expenses incurred in connection with the Transactions shall be paid by the Party incurring such fees or expenses (it being agreed for clarification that any fees and expenses incurred by TransCo or any of its Subsidiaries on or prior to the Effective Time shall be paid in full (i) by TransCo prior to the Effective Time or (ii) by Entergy), unless otherwise mutually agreed to by ITC and Entergy in writing.

(b) Antitrust Fees. ITC and Entergy shall share equally any requisite filing fee in respect of any notice submitted pursuant to the Antitrust Laws, including the HSR Act.

(c) Printing Expenses. ITC and Entergy shall share equally the fees and expenses of printers utilized by the Parties in connection with the preparation of the filings with the SEC contemplated by Section 5.05.

(d) Financing Expenses. TransCo and the TransCo Subs shall pay all underwriters or lenders fees and expenses incurred in connection with the Financings incurred by TransCo and the TransCo Subs (excluding, for clarification, any legal, underwriting or other fees and expenses of Entergy) and such fees and expenses shall be deemed to be Transmission Liabilities; provided, however that all initial fees and expenses incurred or payable at or prior to the Effective Time with respect to the TransCo Subs Financing (the "Pre-Closing TransCo Subs Financing Expenses") shall be borne (i) directly or indirectly in their entirety by TransCo prior to the Effective Time (and out of cash that is not a Transmission Asset) or (ii) directly or indirectly by Entergy and shall be deemed to be Excluded Liabilities.

(e) Attorney's Fees. In any Action to enforce any provisions of this Agreement, or where any provision hereof is validly asserted as a defense, the successful Party shall be entitled to recover reasonable attorneys' fees and disbursements in addition to its costs and expenses and any other available remedy.

Section 8.03 Entire Agreement. This Agreement, the Confidentiality Agreements and the Other Transaction Agreements, including any related annexes, schedules and exhibits, as well as any other agreements and documents referred to herein and therein, shall together constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof and shall supersede all prior negotiations, agreements and understandings of the Parties of any nature, whether oral or written, with respect to such subject matter. If there is a conflict between any provision of this Agreement and a provision of the Other Transaction Agreements, the provision of this Agreement shall control unless specifically provided otherwise in this Agreement.

Section 8.04 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any

choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

Section 8.05 Specific Performance; Jurisdiction. The Parties understand and agree that the covenants and agreements on each of their parts herein contained are uniquely related to the desire of the Parties and their respective Affiliates to consummate the Transactions, that the Transactions are a unique business opportunity at a unique time for each of Entergy and ITC and their respective Affiliates, and further agree that irreparable damage would occur in the event that any provision of this Agreement were not performed in accordance with its specific terms and further agree that, although monetary damages may be available for the breach of such covenants and agreements, monetary damages would be an inadequate remedy therefor. It is accordingly agreed that, in addition to any other remedy that may be available to it, including monetary damages, each of the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Each of the Parties further agrees that no Party to this Agreement shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 8.05 and each Party waives any objection to the imposition of such relief or any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument. In addition, each of the Parties irrevocably and unconditionally agrees that any legal action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other Party hereto or its successors or assigns, shall be brought and determined exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Each of the Parties hereby irrevocably submits with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement or any of the Transactions contemplated by this Agreement in any court other than the aforesaid courts. Each of the Parties hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason other than the failure to serve in accordance with this Section 8.05, (b) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by the applicable Law, any claim that (i) the suit, action or proceeding in such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

Section 8.06 Waiver of Jury Trial. EACH OF THE PARTIES IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 8.07 Notices. All notices, requests, permissions, waivers and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) five (5) Business Days following sending by registered or certified mail, postage prepaid, (b) when sent, if sent by facsimile, provided, that the facsimile transmission is promptly confirmed and any facsimile transmission received after 5:00 p.m. Eastern time shall be deemed received at 9:00 a.m. Eastern time on the following Business Day, (c) when delivered, if delivered personally to the intended recipient and (d) one (1) Business Day following sending by overnight delivery via a national courier service and, in each case, addressed to a Party at the following address for such Party

(a) If to Entergy:

Entergy Corporation
639 Loyola Avenue
New Orleans, LA 70113
Attn: J. Wayne Leonard, Chief Executive Officer
Facsimile: (504) 576-2776

with a copy to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005
Attn: Michael P. Rogan, Esq.; Pankaj K. Sinha, Esq.
Facsimile: (202) 393-5760

(b) If to ITC:

ITC Holdings Corp.
27175 Energy Way
Novi, MI 48377
Attn: Daniel J. Oginsky, Senior Vice President and General Counsel
Facsimile: (248) 946-3562

with a copy to (which shall not constitute notice):

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Attn: Andrew W. Smith, Esq.
Facsimile: (212) 455-2502

(c) If to Merger Sub:

c/o ITC Holdings Corp.
27175 Energy Way
Novi, MI 48377
Attn: Daniel J. Oginsky, Senior Vice President and General Counsel
Facsimile: (248) 946-3562

with a copy to (which shall not constitute notice):

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Attn: Andrew W. Smith, Esq.
Facsimile: (212) 455-2502

(d) If to TransCo prior to the Distribution Date:

c/o Entergy Corporation
639 Loyola Avenue
New Orleans, LA 70113
Attn: J. Wayne Leonard, Chief Executive Officer
Facsimile: (504) 576-2776

with a copy to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005
Attn: Michael P. Rogan, Esq.; Pankaj K. Sinha, Esq.
Facsimile: (202) 393-5760

(e) If to TransCo after the Distribution Date:

c/o ITC Holdings Corp.
27175 Energy Way
Novi, MI 48377
Attn: Daniel J. Oginsky, Senior Vice President and General Counsel
Facsimile: (248) 946-3562

with a copy to (which shall not constitute notice):

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Attn: Andrew W. Smith, Esq.
Facsimile: (212) 455-2502

or to such other address(es) as shall be furnished in writing by any such Party to the other Party in accordance with the provisions of this Section 8.07. Any notice to Entergy shall be deemed notice to all members of the Entergy Group, and any notice to TransCo shall be deemed notice to all members of the TransCo Group.

Section 8.08 Amendments and Waivers.

(a) This Agreement may be amended and any provision of this Agreement may be waived, provided, however, that any such waiver shall be binding upon a Party only if such waiver is set forth in a writing executed by such Party and any such amendment shall be effective only if set forth in a writing executed by each of the Parties. No course of dealing between or among any Persons having any interest in this Agreement shall be deemed effective to modify, amend or discharge any part of this Agreement or any rights or obligations of any Party under or by reason of this Agreement.

(b) No delay or failure in exercising any right, power or remedy hereunder shall affect or operate as a waiver thereof; nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power or remedy preclude any further exercise thereof or of any other right, power or remedy. The rights and remedies hereunder are cumulative and not exclusive of any rights or remedies that any Party would otherwise have. Any waiver, permit, consent or approval of any kind or character of any breach or default under this Agreement or any such waiver of any provision of this Agreement must satisfy the conditions set forth in Section 8.08(a) and shall be effective only to the extent in such writing specifically set forth.

Section 8.09 No Third-Party Beneficiaries. This Agreement is solely for the benefit of the Parties and does not confer on third parties (including any employees of any member of the Entergy Group or the TransCo Group) any remedy, claim, reimbursement, claim of action or other right in addition to those existing without reference to this Agreement.

Section 8.10 Assignability; Binding Effect. This Agreement is not assignable by any Party without the prior written consent of the other Parties and any attempt to assign this Agreement without such consent shall be void and of no effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

Section 8.11 Construction; Interpretation. Headings of the Articles and Sections of this Agreement are for convenience of the Parties only and shall be given no substantive or interpretive effect whatsoever. The table of contents to this Agreement is for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever required by the context, any pronoun used in this Agreement or the Entergy Disclosure Letter or ITC Disclosure Letter shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns, pronouns and verbs shall include the plural and vice versa. Reference to any agreement, document, or instrument means such agreement, document, or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof. Whenever the words “include,” “includes” or “including” are

used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The Parties have participated jointly in the negotiation and drafting of this Agreement and the Other Transaction Agreements. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

Section 8.12 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

Section 8.13 Counterparts. This Agreement may be executed in multiple counterparts (any one of which need not contain the signatures of more than one Party), each of which shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. This Agreement, and any amendments hereto, to the extent signed and delivered by means of a facsimile machine or other electronic transmission, shall be treated in all manner and respects as an original agreement and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. At the request of any Party, the other Party shall re-execute original forms thereof and deliver them to the requesting Party. No Party shall raise the use of a facsimile machine or other electronic means to deliver a signature or the fact that any signature was transmitted or communicated through the use of facsimile machine or other electronic means as a defense to the formation of a Contract and each such Party forever waives any such defense.

Section 8.14 Disclosure Letters. There may be included in the Entergy Disclosure Letter and/or the ITC Disclosure Letter items and information that are not “material,” and such inclusion shall not be deemed to be an acknowledgment or agreement that any such item or information (or any non-disclosed item or information of comparable or greater significance) is “material,” or to affect the interpretation of such term for purposes of this Agreement. Matters reflected in the Entergy Disclosure Letter and ITC Disclosure Letter are not necessarily limited to matters required by this Agreement to be disclosed therein. The Entergy Disclosure Letter and ITC Disclosure Letter set forth items of disclosure with specific reference to the particular Section or subsection of this Agreement to which the information in the Entergy Disclosure Letter and ITC Disclosure Letter, as applicable, relates; provided, however, that any information set forth in one Section of such disclosure letter shall be deemed to apply to each other Section or subsection thereof to which its relevance is reasonably apparent on its face.

ARTICLE IX

DEFINITIONS

Section 9.01 Definitions. For purposes of this Agreement, the following terms, when utilized in a capitalized form, shall have the following meanings:

“Acceptable RTO” has the meaning set forth in Section 4.01(d).

“Action” means any demand, charge, claim, action, suit, counter suit, arbitration, mediation, hearing, inquiry, proceeding, audit, review, complaint, litigation or investigation, or proceeding of any nature whether administrative, civil, criminal, regulatory or otherwise, by or before any federal, state, local, foreign or international Governmental Authority or any arbitration or mediation tribunal.

“Additional TransCo Units” has the meaning set forth in Section 1.02(b)(v).

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such other Person as of the date on which, or at any time during the period for which, the determination of affiliation is being made. For purposes of this definition, the term “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any Person means 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 Contract or otherwise.

“Aggregate Disqualified Shares Number” has the meaning set forth in Section 1.02(b)(iii).

“Agreement” has the meaning set forth in the preamble.

“Agreement Date” means the first day on which the Separation Agreement is a binding contract within the meaning of Temporary Treasury Regulation Section 1.368-1T(e)(2)(ii)(A).

“Agreement Disputes” has the meaning given to such term in the Separation Agreement.

“Ancillary Agreements” has the meaning given to such term in the Separation Agreement.

“Antitrust Laws” means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act and all other Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

“Assets” means any and all assets, properties and rights (including goodwill), wherever located (including in the possession of vendors or other third parties or elsewhere), whether real, personal or mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person, including the following: (i) in respect of TransCo Employees and subject to any applicable collective bargaining obligations, performance reviews in respect of the period while

employed by a member of the TransCo Group, Forms I-9 and W-4, service credit records, vacation and other leave accrual/balance records, and employee benefit election records in effect as of Closing, (ii) records pertaining to customers, suppliers and agents, (iii) all accounting, business and other books, records and files, whether in paper, microfilm, microfiche, computer tape or disc, magnetic tape or any other form, (iv) all computers and other electronic data processing equipment, telecommunication equipment and data, fixtures, machinery, equipment, furniture, office equipment, motor vehicles and other transportation equipment, special and general tools, apparatus, cables, electrical devices, prototypes and models, test devices, transmitters, other miscellaneous supplies and other tangible personal property of any kind, (v) all inventories of materials, parts, raw materials, packing materials, supplies, work-in-process, goods in transit, consigned goods and finished goods and products, (vi) all Real Property Interests, (vii) all interests in any capital stock or other equity interests of any Subsidiary or any other Person; all bonds, notes, debentures, evidences of indebtedness, puts, calls, straddles, options and other securities of any kind issued by any Subsidiary or any other Person; all loans, advances or other extensions of credit or capital contributions to any Subsidiary or any other Person, and all other investments in securities of any Person, (viii) all Permits, distribution and supplier arrangements, sale and purchase agreements, joint operating agreements, license agreements, leases of personal property, open purchase orders for raw materials, supplies, parts or services, unfilled orders for the manufacture and sale of products and all other Contracts and business arrangements, (ix) all deposits, letters of credit and performance and surety bonds, (x) all Intellectual Property Rights and licenses from third persons granting the right to use any Intellectual Property Rights, (xi) all software owned, licensed or used, (xii) all cost information; sales and pricing data; customer prospect lists; supplier records; customer, distribution and supplier lists; customer and vendor data, correspondence and lists; product literature (including historical); advertising and promotional materials, and other printed or written materials; artwork; design; development, manufacturing and quality control records, procedures and files; vendor and customer drawings, formulations and specifications; quality records and reports and other books, records, ledgers, files, documents, plats, photographs, studies, surveys, reports, plans and documents, operating, production and other manuals, including corporate minute books and related stock records, financial and Tax records (including Tax Returns), in all cases whether in paper, microfilm, microfiche, computer tape or disc, magnetic tape or any other form, (xiii) all prepaid expenses, including prepaid leases and prepaid rentals, trade accounts and other accounts and notes receivables (whether current or non-current), (xiv) all interests, rights to causes of action, lawsuits, judgments, claims, counterclaims, rights under express or implied warranties, rights of recovery and rights of setoff of any kind, demands and benefits of any Person, including all claims or rights against any Person arising from the ownership of any Asset, all rights in connection with any bids or offers, causes of action or similar rights, whether accrued or contingent and (xv) all Governmental Approvals, and other licenses and authorizations issued by any Governmental Authority.

“Audited Financial Statements” has the meaning given to such term in Section 5.03(a).

“Business Day” means any day that is not a Saturday, a Sunday or other day that is a statutory holiday under the federal Laws of the United States. In the event that any action is required or permitted to be taken under this Agreement on or by a date that is not a Business Day, such action may be taken on or by the Business Day immediately following such date.

“Cancelled Units” has the meaning set forth in Section 1.09(b).

“Certificate of Merger” has the meaning set forth in Section 1.05(b).

“Charter Amendment” has the meaning set forth in Section 3.03(a).

“Clean-Up Spin-Off” has the meaning set forth in the recitals.

“Closing” has the meaning set forth in Section 1.01.

“Closing Date” has the meaning set forth in Section 1.01.

“Code” means the United States Internal Revenue Code of 1986 (or any successor statute), as amended from time to time.

“Collective Bargaining Agreements” mean all agreements with the collective bargaining representatives of TransCo Employees that set forth the terms and conditions of employment of TransCo Employees, and all modifications of, or amendments to, such agreements and any rules, procedures, awards or decisions of competent jurisdiction interpreting or applying such agreements.

“Commission” has the meaning set forth in Section 2.04(b).

“Confidentiality Agreements” means those written confidentiality agreements previously entered into by Entergy and ITC relating to the Transactions.

“Consents” means any consents, waivers or approvals from, or notification requirements to, or authorizations by, any third parties.

“Contract” means any legally binding written or oral agreement, contract, subcontract, lease, understanding, instrument, note, option, warranty, sales order, purchase order, license, sublicense, insurance policy, benefit plan or commitment or undertaking of any nature, excluding any Permit.

“Debt Exchange” has the meaning given to such term in the Separation Agreement.

“DGCL” means the General Corporation Law of the State of Delaware.

“DLLCA” means the Delaware Limited Liability Company Act.

“Disqualified Share” has the meaning set forth in Section 1.02(c).

“Disqualified Shares Principal Reduction Amount” has the meaning set forth in Section 1.02(b)(vii).

“Dissenting Share” has the meaning set forth in Section 1.19.

“Dissenting Shareholder” has the meaning set forth in Section 1.19.

“Distribution” has the meaning set forth in the recitals.

“Distribution Date” has the meaning given to such term in the Separation Agreement.

“Distribution-Interconnection Agreement” has the meaning given to such term in the Separation Agreement.

“DOJ” means the United States Department of Justice.

“Entergy” has the meaning set forth in the preamble.

“Entergy Burdensome Condition” has the meaning set forth in Section 5.01(f).

“Entergy Common Stock” has the meaning set forth in the recitals.

“Entergy Contribution” has the meaning given to such term in the Separation Agreement.

“Entergy Disclosure Letter” means the disclosure letter delivered by Entergy to ITC immediately prior to the execution of this Agreement.

“Entergy ERISA Affiliate” has the meaning set forth in Section 2.10(a).

“Entergy Exchangeable Debt” has the meaning given to such term in the Separation Agreement.

“Entergy Filings” means, collectively, the TransCo S-1/S-4 and the Schedule TO.

“Entergy Group” means Entergy and each of its Subsidiaries, including, for purposes of this Agreement, each member of the TransCo Group but only for times prior to the Effective Time.

“Entergy Guarantees” means arrangements in which guaranties (including guaranties of performance or payment under Contracts, commitments, Liabilities and Transmission Permits), letters of credit or other credit or credit support arrangements, including bid bonds, advance payment bonds, performance bonds, payment bonds, retention and/or warranty bonds or other bonds or similar instruments, were or are issued, entered into or otherwise put in place by any Person other than any member of the TransCo Group to support or facilitate, or otherwise in respect of, the obligations of any member of the TransCo Group or the Transmission Business or Contracts, commitments, Liabilities and Transmission Permits of any member of the TransCo Group or the Transmission Business.

“Entergy Merger Tax Opinion” means the written opinion, dated as of the Closing Date, from Cooley LLP, counsel to Entergy, in form and substance reasonably satisfactory to Entergy, to the effect that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

“Entergy Regulatory Approvals” has the meaning set forth in Section 2.04(b).

“Entergy Retail Regulator” shall mean any Commission pursuant to which any of the Utility OpCos is regulated as a public utility.

“Effective Time” has the meaning set forth in Section 1.05(b).

“Employee Matters Agreement” means the Employee Matters Agreement, dated as of the date of this Agreement, among TransCo, Entergy and ITC.

“Environmental Laws” means all Laws relating to pollution or protection of the environment, natural resources (including non-human species) or human health and safety as affected by exposure to hazardous substances, pollutants or contaminants, including, without limitation, laws relating to Releases or threatened Releases of Hazardous Materials (including, without limitation, Releases to ambient air, surface water, groundwater, land, surface and subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, Release, transport, disposal or handling of Hazardous Materials.

“Environmental Laws” include, without limitation, CERCLA (42 U.S.C. Section 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. Sections 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Sections 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. Sections 1251 et seq.), the Clean Air Act (42 U.S.C. Sections 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. Sections 2601 et seq.), the Oil Pollution Act (33 U.S.C. Sections 2701 et seq.), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. Sections 11001 et seq.), the Occupational Safety and Health Act (29 U.S.C. Sections 651 et seq.), the Endangered Species Act (16 U.S.C. Sections 1531 et seq.), the Migratory Bird Treaty Act (16 U.S.C. Sections 703 et seq.), the Bald and Golden Eagle Protection Act (16 U.S.C. Sections 668 et seq.) and state laws analogous to any of the above.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERSC” means the Entergy Regional State Committee or any successor commission or organization that is comprised of the existing Entergy Regional State Committee membership.

“ESI” means Entergy Services, Inc., a Delaware corporation and a wholly owned Subsidiary of Entergy.

“Estimation Date” has the meaning set forth in Section 1.02(b)(ii).

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

“Exchange Agent” has the meaning set forth in Section 1.10(b).

“Exchange Fund” has the meaning set forth in Section 1.10(b).

“Exchange Offer” has the meaning set forth in the recitals.

“Exchange Ratio” has the meaning set forth in Section 1.09(a).

“Exchange Trust” has the meaning set forth in Section 1.20.

“Excluded Assets” has the meaning given to such term in the Separation Agreement.

“Excluded Liability” has the meaning given to such term in the Separation Agreement.

“FERC” means the United States Federal Energy Regulatory Commission.

“FERC 18 CFR” means accounting rules and guidelines of FERC contained in Title 18 of the Code of Federal Regulations.

“FERC 203 Approval” means all approvals necessary under Section 203 of the FPA for the disposition of or change in control over FERC jurisdictional facilities and the merger or consolidation of FERC jurisdictional facilities.

“FERC 204 Approval” means an approval under Section 204 of the FPA approving, to the extent necessary, the issuance of securities or incurrence of indebtedness by TransCo and/or the TransCo Subs in connection with consummation of the Transactions.

“FERC 205 Approval” means all approvals under Section 205 of the FPA requested by ITC in connection with consummation of the Transactions, including rates which are not suspended or subject to hearing or refund, and such other approvals under Section 205 of the FPA requested by Entergy and its Subsidiaries in connection with consummation of the Transactions.

“FERC Approvals” means the FERC 203 Approval, the FERC 204 Approval, the FERC 205 Approval and approvals of the Distribution Interconnection Agreement, the Generation Interconnection Agreement, the Transition Services Agreement, other Ancillary Agreements and any other agreements, where required, relating to the relationship between ITC and Entergy or any of its Subsidiaries.

“FERC Construct” means ITC’s or TransCo’s (or their respective Subsidiaries’, as applicable) FERC-approved return on equity, capital structure, forward-looking formula rate mechanism, initial rates and all subsequent rates calculated pursuant to the FERC-approved rate construct (taking into account return on equity, capital structure and forward-looking formula rate mechanism), terms and conditions of service, operations and maintenance expenses and administrative and general expenses.

“FPA” means the Federal Power Act, as amended.

“FTC” means the United States Federal Trade Commission.

“Final Order” has the meaning set forth in Section 6.02(g).

“Financings” has the meaning given to such term in the Separation Agreement.

“Fully Diluted Basis” has the meaning set forth in Section 1.02(b)(i).

“GAAP” means United States generally accepted accounting principles, as consistently applied by Entergy in the preparation of its consolidated financial statements.

“Generation Interconnection Agreement” has the meaning given to such term in the Separation Agreement.

“Good Utility Practice” shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

“Governmental Approvals” has the meaning given to such term in the Separation Agreement.

“Governmental Authority” means any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority or self-regulatory organization.

“Guaranteed Obligations” has the meaning set forth in Section 5.12.

“Hazardous Materials” means (a) any petrochemical or petroleum products, oil or coal ash, radioactive materials, radon gas, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and transformers or other equipment that contain dielectric fluid which contains any polychlorinated biphenyls; (b) any chemicals, materials or substances defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “hazardous constituents,” “restricted hazardous materials,” “extremely hazardous substances,” “toxic substances,” “contaminants,” “pollutants,” “toxic pollutants” or words of similar meaning and regulatory effect under any applicable Law; and (c) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by, or that may result in liability under, any applicable Law.

“Historical Financial Statements” has the meaning set forth in Section 2.05(a).

“HSR Act” has the meaning set forth in Section 2.04(b).

“Indebtedness” means, with respect to any Person, (i) the aggregate indebtedness for borrowed money, including any accrued interest, fees and any cost or penalty associated with prepaying such indebtedness, and including any such obligations evidenced by bonds, debentures, notes or similar obligations, (ii) obligations under any deferred purchase price arrangements, (iii) capitalized lease obligations that are classified as a balance sheet liability in accordance with GAAP, (iv) obligations under any sale and leaseback transaction, synthetic lease or tax ownership operating lease transaction (whether or not recorded on the balance sheet), (v) obligations with respect to hedging, swaps or similar arrangements relating to any of the foregoing, (vi) all guarantee obligations of such Person in respect of obligations of the kind referred to in clauses (i) through (v) above, and (vii) all obligations of the kind referred to in clauses (i) through (vi) above secured by (or for which the holder of such obligation has an

existing right, contingent or otherwise, to be secured by) any Security Interest on property (including accounts and contract rights) of such Person, whether or not such Person has assumed or become liable for the payment of such obligation, in each case, owed by such Person.

“Initial Issuance Exchange Ratio” has the meaning set forth in Section 1.02(a).

“Intellectual Property Rights” means all worldwide intellectual property and industrial property rights, including without limitation, all (a) patents, inventions, technology, processes and designs, (b) trademarks, trade names, service marks, domain names, logos, trade dress, and other source indicators, and all goodwill symbolized thereby, (c) copyrights, works of authorship, computer software and systems, (d) trade secrets, know-how, and tangible and intangible proprietary information and materials, and (e) any applications, registrations, renewals, foreign counterparts, extensions, continuations, continuations-in-part, re-examinations, reissues, and divisionals of the foregoing.

“Intended Tax-Free Treatment” means that (i) the Internal Restructuring qualifies as one or more reorganizations pursuant to Section 368(a) of the Code that is tax-free to Entergy and the Entergy Group, (ii) the Entergy Contribution, taken together with the Distribution, qualifies as a reorganization pursuant to Sections 368(a)(1)(D) and 355 of the Code that is tax-free to Entergy, the Entergy shareholders and TransCo, (iii) the Debt Exchange qualifies for tax-free treatment to Entergy pursuant to Section 361(c) of the Code and (iv) the Merger qualifies as a reorganization pursuant to Section 368(a) of the Code.

“Internal Restructuring” has the meaning given to such term in the Separation Agreement.

“IRS” means the United States Department of the Treasury Internal Revenue Service.

“IRS Submission” has the meaning set forth in Section 5.15(a).

“ITC” has the meaning set forth in the preamble.

“ITC Benefit Plans” has the meaning set forth in Section 3.11(a).

“ITC Burdensome Condition” has the meaning set forth in Section 5.01(g).

“ITC Capital Stock” means (i) all classes and series of capital stock of ITC, including, without limitation, the ITC Common Stock, (ii) all instruments properly treated as equity in ITC for tax purposes and (iii) all options, warrants, and other rights respecting (i) or (ii).

“ITC Change of Recommendation” has the meaning set forth in Section 5.07(d).

“ITC Common Stock” has the meaning set forth in Section 3.03(a).

“ITC Disclosure Letter” means the disclosure letter delivered by ITC to Entergy immediately prior to the execution of this Agreement.

“ITC Equity Interests” has the meaning set forth in Section 3.03(b).

“ITC Equity Value” has the meaning set forth in Section 1.02(b)(iv).

“ITC ERISA Affiliate” has the meaning set forth in Section 3.11(a).

“ITC Filings” means, collectively, the Proxy Statement and the ITC Form S-4.

“ITC Financing” means the debt financings by ITC to fund the Special Dividend and/or Share Repurchase.

“ITC Form S-4” has the meaning set forth in Section 5.05(a).

“ITC Great Plains” means ITC Great Plains, LLC, a wholly owned subsidiary of ITC Grid Development, LLC and an indirect wholly owned subsidiary of ITC.

“ITC Group” means ITC and each of its Affiliates, including after the Closing, the TransCo Group.

“ITC IP” has the meaning set forth in Section 3.16.

“ITC MAE” means an event, change, effect, development, state of facts, circumstance, condition or occurrence that is materially adverse to the Assets, Liabilities, business, financial condition or results of operations of ITC and its Subsidiaries as a whole, or on the ability of ITC or Merger Sub to consummate the Transactions, but shall not be deemed to include any event, change, effect, development, state of facts, circumstance, condition or occurrence to the extent (i) in or affecting the economy or the financial, securities or commodities markets in the United States or elsewhere in the world, the industry or industries in which ITC or the ITC Subsidiaries operate generally or in any specific jurisdiction or geographical area or (ii) resulting from or arising out of: (A) any changes, events or developments in the international, national, regional, state or local wholesale or retail markets for electric power, capacity or fuel or related products; (B) any changes, events or developments in the national, regional, state or local electric transmission or distribution systems or increases or decreases in planned spending with respect thereto (except to the extent resulting from a material reduction in authorized return of equity for ITC or any ITC Subsidiary); (C) the announcement or the existence of this Agreement or the Separation Agreement or the consummation of the Transactions (provided, that this clause (C) shall not be applicable with respect to ITC’s representations and warranties in Section 3.04); (D) taking any action at the written request of Entergy; (E) any changes in GAAP or accounting standards, regulatory accounting requirements applicable to United States utility organizations generally or interpretations thereof, in each case, after the date of this Agreement; (F) any weather-related or other force majeure event or outbreak of hostilities or acts of war or terrorism, other than any of the foregoing involving physical damage or destruction to or rendering physically unusable Assets of ITC or its Subsidiaries; (G) any failure to meet any internal or public projections, forecasts or estimates of revenues, earnings, cash flow or cash position or budgets (it being understood that the facts, events or circumstances giving rise to or contributing to such failure may be deemed to constitute, and may be taken into account in determining whether there is, or is likely to be, an ITC MAE); and (H) any reduction in the credit rating of ITC or any ITC Subsidiary to the extent attributable to the expected consummation of the Transactions but not to the extent attributable to a change in ITC, or, as the case may be, such

ITC Subsidiary's business, financial condition, or results of operations; provided, however, that any event, change, effect, development, state of facts, circumstance, condition or occurrence described in each of clauses (i) and (ii) (A), (B), (E) or (F) above shall be considered in determining an ITC MAE if and to the extent that such event, change, effect, development, state of facts, circumstance, condition or occurrence has a disproportionate effect on ITC and the ITC Subsidiaries, taken as a whole, relative to other participants in the electricity transmission industry.

“ITC Material Contracts” has the meaning set forth in Section 3.10(a).

“ITC Merger Tax Opinion” means the written opinion, dated as of the Closing Date, from Simpson Thacher & Bartlett LLP, counsel to ITC, in form and substance reasonably satisfactory to ITC, to the effect that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

“ITC Midwest” means ITC Midwest LLC, a wholly owned subsidiary of ITC.

“ITC Midwest Financing” means the issuance by ITC Midwest of \$100,000,000 of first mortgage bonds.

“ITC Permits” has the meaning set forth in Section 3.09(b).

“ITC Preferred Stock” has the meaning set forth in Section 3.03(a).

“ITC Recommendation” has the meaning set forth in Section 3.07(a).

“ITC Regulatory Approvals” has the meaning set forth in Section 3.04(b).

“ITC SEC Filings” has the meaning set forth in Section 3.05(a).

“ITC Shareholder Approval” has the meaning set forth in Section 3.07(a).

“ITC Shareholder Meeting” has the meaning set forth in Section 5.06(a).

“ITC Shareholders” means the holders of ITC Common Stock.

“ITC Stock Issuance” has the meaning set forth in Section 1.09(a).

“ITC Superior Proposal” has the meaning set forth in Section 5.07(e)(iii).

“ITC Takeover Proposal” has the meaning set forth in Section 5.07(e)(i).

“ITC Takeover Transaction” has the meaning set forth Section 5.07(e)(ii).

“ITC Termination Fee” shall mean an amount equal to \$113,570,800.

“ITC Transmission” means ITC Transmission Company, a wholly owned subsidiary of ITC.

“Knowledge” means, in the case of ITC, the actual knowledge without inquiry of the persons listed in Section 9.01 of the ITC Disclosure Letter as of the date of the representation, and, in the case of Entergy, the actual knowledge without inquiry of the persons listed in Section 9.01 of the Entergy Disclosure Letter as of the date of the representation.

“Law” means any statute, law (including common law), ordinance, regulation, rule, code or other legally enforceable requirement of, or Order issued by, a Governmental Authority.

“Liabilities” means all debts, liabilities, including liabilities for Taxes, guarantees, assurances, commitments and obligations, whether fixed, contingent or absolute, asserted or unasserted, matured or unmatured, liquidated or unliquidated, accrued or not accrued, known or unknown, due or to become due, whenever or however arising (including whether arising out of any Contract or tort based on negligence, strict liability or relating to Taxes payable by a Person in connection with compensatory payments to employees or independent contractors) and whether or not the same would be required by generally accepted principles and accounting policies to be reflected in financial statements or disclosed in the notes thereto.

“Management Appointees” has the meaning set forth in Section 1.08(b).

“MBCA” means the Business Corporation Act of the State of Michigan, as amended.

“MBCA Vote” means the required vote of ITC’s shareholders to approve the Merger under Sections 703a and 754 of the MBCA.

“METC” means Michigan Electric Transmission Company, LLC, an indirect wholly owned subsidiary of ITC.

“Merger” has the meaning set forth in Section 1.05(a).

“Merger Consideration” has the meaning set forth in Section 1.09(a).

“Merger Sub” has the meaning set forth in the preamble.

“Merger Sub Common Units” has the meaning set forth in Section 3.03(d).

“Net Transmission Plant Investment” means: (A) plant assets included in FERC accounts 101 and 106 further broken down in FERC sub-accounts 350 through 359 after adjustment to exclude (i) any plant assets depreciated or amortized in FERC account 404 and 405, (ii) asset retirement costs for transmission plant in FERC plant account 359.1, (iii) transmission plant excluded from ISO rates and transmission plant included in OATT Ancillary Services (Note M and Note N, respectively, on the Third Revised Sheet No. 1322 of the Midwest ISO Transmission and Energy Markets Tariff) and (iv) capitalized leases, plus transmission land held for future use in FERC account 105, plus transmission related materials and supplies and stores expense in FERC accounts 154 and 163 after adjustment to exclude obsolete materials & supplies (as determined in accordance with GAAP) less (B) Transmission Plant Investment Accumulated Depreciation.

“Non-FERC Approvals” has the meaning set forth in Section 2.04(b).

“NYSE” means the New York Stock Exchange.

“Order” means any: (i) order, judgment, injunction, edict, decree, ruling, pronouncement, determination, decision, opinion, verdict, sentence, subpoena, writ or award issued, made, entered, rendered or otherwise put into effect by or under the authority of any court, administrative agency or other Governmental Authority or any arbitrator or arbitration panel; or (ii) Contract with any Governmental Authority entered into in connection with any Action.

“Organizational Documents” means, with respect to any corporation, its articles or certificate of incorporation, memorandum or articles of association and by-laws or documents of similar substance; with respect to any limited liability company, its articles or certificate of organization, formation or association and its operating agreement or limited liability company agreement or documents of similar substance; with respect to any limited partnership, its certificate of limited partnership and partnership agreement or documents of similar substance; and with respect to any other entity, documents of similar substance to any of the foregoing.

“Other Transaction Agreements” means the Separation Agreement and the other agreements and documents defined as “Ancillary Agreements” in the Separation Agreement.

“Outside Date” has the meaning set forth in Section 7.01(b).

“Parties” means Entergy, TransCo, ITC and Merger Sub.

“Permits” means all franchises, permits, approvals, licenses (including railroad crossing permits), easements, servitudes, variances, consents, authorizations, certifications, rights, exemptions, waivers or registrations of Governmental Authorities issued under or with respect to applicable Laws or Orders.

“Permitted Encumbrances” means (a) with respect to ITC, Security Interests reflected in the financial statements included in the ITC SEC Filings, (b) Security Interests consisting of zoning or planning restrictions, easements, servitudes, licenses, permits and other restrictions or limitations on the use of real property or minor irregularities in title thereto which do not materially impair the use or value of the respective property, (c) Security Interests for current Taxes, assessments or similar governmental charges or levies not yet due or which are being contested in good faith, (d) mechanic’s, workmen’s, materialmen’s, carrier’s, repairer’s, warehousemen’s and similar other Security Interests arising or incurred in the ordinary course of business for amounts not overdue, (e) any Security Interests created in connection with the Financings or any arrangements ancillary thereto, and (f) with respect to Entergy and TransCo, any Security Interests for Transmission Assets acquired in the ordinary course of business within the forty-five (45) days prior to Closing that have not been released under each Utility OpCo’s mortgage debt instruments, which Transmission Assets shall be immaterial in the aggregate and which shall be released no later than forty-five (45) days after the Closing.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a Governmental Authority.

“Pre-Closing TransCo Subs Financing Expenses” has the meaning set forth in Section 8.02(d).

“Proposed Acquisition Transaction” has the meaning given to such term in the Separation Agreement.

“Proposed Amendment” has the meaning set forth in Section 5.10.

“Proxy Statement” has the meaning set forth in Section 5.05(a).

“PUCT” means the Public Utility Commission of Texas.

“Rate Base Amount” means the dollar valuation of Net Transmission Plant Investment included in the Transmission Assets as calculated in accordance with FERC 18 CFR.

“Rate Base Statement” has the meaning set forth in Section 2.05(c).

“Real Property Interests” means all interests in real property of whatever nature, including easements and servitudes, whether as owner or holder of a Security Interest, lessor, sublessor, lessee, sublessee or otherwise.

“Record Date” means, with respect to a Spin-Off, the close of business on the date to be determined by the Board of Directors of Entergy as the record date for determining shareholders of Entergy entitled to receive TransCo Common Units in such Spin-Off.

“Record Holder” means a holder of record of Entergy Common Stock as of the close of business on the Record Date.

“Reference Price” means the volume weighted average trading price of the applicable common stock on the NYSE during the ten (10) Trading Days preceding the Estimation Date. For purposes of the calculation of Reference Price, if the ITC Common Stock is not trading on an “ex-” basis with respect to the Special Dividend, if any, with respect to any Trading Day used in calculating the Reference Price, the per share price of the ITC Common Stock for such Trading Day will be reduced by the per share value of the Special Dividend, if any, for purposes of such calculation.

“Regulated Operating Subsidiaries” means ITCTransmission, METC, ITC Midwest and ITC Great Plains.

“Regulatory Approvals” means, collectively, the ITC Regulatory Approvals and the Entergy Regulatory Approvals.

“Release” means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into surface water, groundwater, land surface or subsurface strata or ambient air (including the abandonment or discarding of barrels, containers and other closed receptacles containing any hazardous substance or pollutant or contaminant).

“Representatives” means with respect to any Person, such Person’s officers, employees, accountants, consultants, legal counsel, financial advisors, agents, directors and other representatives.

“Restructuring Transactions” means any transaction undertaken in connection with the TransCo Transfer, Internal Restructuring, Entergy Contribution and the Distribution, to the extent such transaction is listed or described in the Separation Agreement, this Agreement, the Ruling, the Ruling Request or the Tax Opinion.

“Retained Equity” has the meaning set forth in Section 1.20.

“RTO Adverse Impact” has the meaning set forth in Section 4.01(d).

“RTO Migration” has the meaning set forth in Section 4.01(d).

“Ruling” means the private letter ruling, substantially to the effect that the Distribution, the Entergy Contribution, and the Internal Restructuring will qualify for the treatment described in clauses (i) through (iii) of the definition of Intended Tax-Free Treatment, including any amendment or supplemental ruling thereto, issued by the IRS in response to the Ruling Request.

“Ruling Request” means the private letter ruling request to be filed by Entergy with the IRS (as modified or supplemented by any materials subsequently submitted to the IRS), seeking, inter alia, rulings under Sections 355, 361, 368 and other relevant provisions of the Code with respect to the Transactions.

“Sales Agency Financing Agreement” means the agreement, dated as of July 27, 2011, between ITC and Deutsche Bank Securities Inc. under which ITC may issue and sell shares of common stock, without par value, from time to time, up to an aggregate sales proceeds amount of \$250.0 million.

“Sarbanes-Oxley Act” has the meaning set forth in Section 2.05(d).

“Schedule TO” has the meaning set forth in Section 5.05(a).

“SEC” means the United States Securities and Exchange Commission.

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

“Security Interest” means any mortgage, security interest, pledge, lien, charge, claim, option, indenture, right to acquire, right of first refusal, deed of trust, licenses to third parties, leases to third parties, security agreements, voting or other restriction, right-of-way, covenant, condition, easement, servitude, zoning matters, permit, restriction, encroachment, restriction on transfer, restrictions or limitations on use of real or personal property or any other encumbrance of any nature whatsoever, imperfections in or failure of title or defect of title.

“Separation” means the TransCo Transfer, the Financings and the other transactions contemplated by the Separation Agreement to transfer the Transmission Business to TransCo.

“Separation Agreement” means the Separation Agreement, dated as of the date of this Agreement, among TransCo, Entergy, ITC, the Utility OpCos and ESI.

“Separation Date” has the meaning given to such term in the Separation Agreement.

“Separation Time” has the meaning given to such term in the Separation Agreement.

“Share Repurchase” has the meaning set forth in Section 1.03(e).

“Special Dividend” has the meaning set forth in Section 1.03(e).

“Spin-Off” has the meaning set forth in the recitals.

“Subsidiary” means, with respect to any Person, any corporation or other entity (including partnerships and other business associations and joint ventures) of which at least a majority of the voting power represented by the outstanding capital stock or other voting securities or interests having voting power under ordinary circumstances to elect directors or similar members of the governing body of such corporation or entity (or, if there are no such voting interests, fifty percent (50%) or more of the equity interests in such corporation or entity) shall at the time be held, directly or indirectly, by such Person.

“Surviving Company” has the meaning set forth in Section 1.05(a).

“System Agreement” means the System Agreement, among Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc. and Entergy Services, Inc., dated April 23, 1982, as amended (and effective with FERC on November 21, 2006).

“Tax” or “Taxes” means all taxes, charges, fees, levies, penalties or other assessments imposed by any federal, state, local, provincial or foreign taxing authority, including income, gross receipts, excise, real or personal property, sales, use, transfer, customs, duties, franchise, payroll, withholding, social security, receipts, license, stamp, occupation, employment, or any tax based upon, measured by or calculated with respect to the generation of electricity or other taxes, including any interest, penalties or additions attributable thereto, and any payments to any state, local, provincial or foreign taxing authorities in lieu of any such taxes, charges, fees, levies or assessments.

“Tax Documents” means the Ruling, the Ruling Request, and the Tax Opinion.

“Tax Expert” means one of the firms identified as such in Section 9.01 of the Entergy Disclosure Letter.

“Tax Opinion” means the written opinion of Cooley LLP, counsel to Entergy, dated as of the Closing Date, in form and substance reasonably satisfactory to Entergy, to the effect that (A) the Internal Restructuring will qualify as one or more Tax-free reorganizations pursuant to Section 368(a) of the Code that is tax-free to Entergy and the Entergy Group, (B) the Entergy Contribution, taken together with the Distribution, will qualify as a tax-free reorganization pursuant to Sections 368(a)(1)(D) and 355 of the Code that is tax-free to Entergy, the Entergy

shareholders and TransCo, (C) the Debt Exchange will qualify for tax-free treatment to Entergy under Section 361(c) of the Code, and (D) the Merger will not cause Section 355(e) of the Code to apply to the Distribution.

“Tax Return” means any return, report, information return, declaration, claim for refund or other document (including any schedule or related or supporting information) required to be supplied to any Governmental Authority with respect to Taxes including amendments thereto, including any return filed by a nuclear decommissioning trust.

“Termination Date” has the meaning set forth in Section 4.01(a).

“Trading Day” means any day on which there are sales of ITC Common Stock on the NYSE composite tape.

“Transaction Maximum Principal Amount” has the meaning given to such term in the Separation Agreement.

“Transactions” means the TransCo Transfer, the Internal Restructuring, the Entergy Contribution, the Distribution, the Merger, the Financings, the ITC Financing, a Special Dividend (if applicable), a Share Repurchase (if applicable) and the other transactions contemplated by this Agreement and the Other Transaction Agreements.

“TransCo” has the meaning set forth in the preamble.

“TransCo Capital Stock” means (i) all classes and series of capital stock of TransCo, including, without limitation, the TransCo Common Units, (ii) all instruments properly treated as equity in TransCo for Tax purposes, and (iii) all options, warrants, and other rights respecting (i) or (ii).

“TransCo Common Units” has the meaning given to such term in the Separation Agreement.

“TransCo Employee Shares” has the meaning set forth in Section 1.02(c).

“TransCo Employees” has the meaning given to such term in the Employee Matters Agreement.

“TransCo Equity Interests” has the meaning set forth in Section 2.03(c).

“TransCo Group” means TransCo and each of the TransCo Subs. Each of the TransCo Subs shall be deemed to be members of the TransCo Group as of the Separation Time and at all times thereafter up to the Effective Time.

“TransCo Material Contracts” has the meaning set forth in Section 2.09(a).

“TransCo Real Property” has the meaning set forth in the Separation Agreement.

“TransCo Registration Statements” has the meaning set forth in Section 5.05(a).

“TransCo Securities” has the meaning given to such term in the Separation Agreement.

“TransCo Subs” means Arkansas Wires LLC, an Arkansas limited liability company, Gulf States Wires Louisiana, L.L.C., a Louisiana limited liability company, Louisiana Wires LLC, a Texas limited liability company, Mississippi Wires LLC., a Mississippi limited liability corporation, New Orleans Wires LLC, a Louisiana limited liability corporation and Texas Wires LLC, a Texas limited liability corporation.

“TransCo Subs Financing” has the meaning given to such term in the Separation Agreement.

“TransCo Transfer” means the transfer of the Transmission Assets and Transmission Liabilities as provided in Section 3.01 and Section 3.02 of the Separation Agreement.

“Transmission” has the meaning given to such term in the Separation Agreement.

“Transmission Assets” has the meaning given to such term in the Separation Agreement.

“Transmission Benefit Plans” has the meaning set forth in Section 2.10(a).

“Transmission Business” has the meaning given to such term in the Separation Agreement.

“Transmission Business IP” has the meaning set forth in Section 2.15.

“Transmission Business MAE” means any event, change, effect, development, state of facts, circumstance, condition or occurrence that is materially adverse to the Assets, Liabilities, business, financial condition or results of operations of the Transmission Business taken as a whole, or on the ability of Entergy or TransCo to consummate the Transactions, but shall not be deemed to include any event, change, effect, development, state of facts, circumstance, condition or occurrence to the extent (i) in or affecting the economy or the financial, securities or commodities markets in the United States or elsewhere in the world, the industry or industries in which ITC or the ITC Subsidiaries operate generally or in any specific jurisdiction or geographical area or (ii) resulting from or arising out of: (A) any changes, events or developments in the international, national, regional, state or local wholesale or retail markets for electric power, capacity or fuel or related products; (B) any changes, events or developments in the national, regional, state or local electric transmission or distribution systems or increases or decreases in planned spending with respect thereto; (C) the announcement or the existence of this Agreement or the Separation Agreement or the consummation of the Transactions (provided, that this clause (C) shall not be applicable with respect to ITC’s representations and warranties in Section 2.04); (D) taking any action at the written request of ITC; (E) any changes in GAAP or accounting standards, regulatory accounting requirements applicable to United States utility organizations generally or interpretations thereof, in each case after the date of this Agreement; (F) any weather-related or other force majeure event or outbreak of hostilities or acts of war or terrorism, other than any of the foregoing involving physical damage or destruction to or rendering physically unusable any Assets that would be Transmission Assets as of the Separation Time pursuant to Section 3.05(a) of the Separation Agreement; (G) any failure to meet any internal or public projections, forecasts or estimates of revenues, earnings, cash flow or cash

position or budgets (it being understood that the facts, events or circumstances giving rise to or contributing to such failure may be deemed to constitute, and may be taken into account in determining whether there is, or is likely to be, a Transmission Business MAE); and (H) any reduction in the expected credit rating of TransCo or any TransCo Sub to the extent attributable to the expected consummation of the Transactions but not to the extent attributable to a change in the Transmission Business' business, financial condition, or results of operations; provided, however, that any event, change, effect, development, state of facts, circumstance, condition or occurrence described in each of clauses (i) and (ii) (A), (B), (E) or (F) above shall be considered in determining a Transmission Business MAE if and to the extent that such event, change, effect, development, state of facts, circumstance, condition or occurrence has a disproportionate effect on the Transmission Business, taken as a whole, relative to other participants in the electricity transmission industry; provided, further, that for purposes of this definition, a Transmission Business MAE shall be deemed to have occurred in the event that any Commission takes any action indicating that upon purchase and operation of the Transmission Business, any member of the ITC Group (x) shall no longer be deemed independent by FERC or (y) shall be subject to regulation as a public or electric utility by such Commission (other than to the extent any such regulation relates to customary electric transmission facility franchise matters within the jurisdiction of such Commission).

"Transmission Land Rights" has the meaning given to such term in the Separation Agreement.

"Transmission Land Right Consents" has the meaning given to such term in the Separation Agreement.

"Transmission Liabilities" has the meaning given to such term in the Separation Agreement.

"Transmission Permits" has the meaning set forth in Section 2.08(b).

"Transmission Plant Investment Accumulated Depreciation" means accumulated depreciation included in FERC account 108 that reflects the accumulated depreciation on transmission assets recorded in FERC sub-accounts 350 through 359 before reduction for amounts related to asset retirement obligations and after adjustment to exclude the lesser of (a) Calculated Accumulated Depreciation for the following plant assets or (b) accumulated depreciation equal to the property, plant and equipment value at the time of transfer for the following plant assets (i) transmission plant excluded from ISO rates and transmission plant included in OATT Ancillary Services (Note M and Note N, respectively, on the Third Revised Sheet No. 1322 of the Midwest ISO Transmission and Energy Markets Tariff) and (ii) capitalized leases.

"Transition Services Agreement" has the meaning given to such term in the Separation Agreement.

"Utility OpCo Contributions" has the meaning given such term in the Separation Agreement.

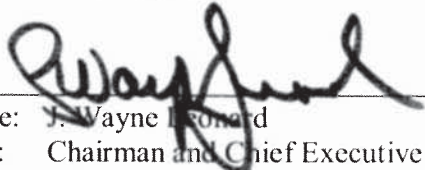
“Utility OpCos” means Entergy Arkansas, Inc., an Arkansas corporation and a wholly owned Subsidiary of Entergy, Entergy Gulf States Louisiana, L.L.C., a Louisiana limited liability company and a wholly owned Subsidiary of Entergy, Entergy Louisiana, LLC, a Texas limited liability company and a wholly owned Subsidiary of Entergy, Entergy Mississippi, Inc., a Mississippi corporation and a wholly owned Subsidiary of Entergy, Entergy New Orleans, Inc., a Louisiana corporation and a wholly owned Subsidiary of Entergy and Entergy Texas, Inc., a Texas corporation and a wholly owned Subsidiary of Entergy.

“Value of the Additional TransCo Units” has the meaning set forth in Section 1.02(b)(vi).

[Signature Pages Follow]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

ENTERGY CORPORATION

By: 
Name: J. Wayne Leonard
Title: Chairman and Chief Executive Officer

MID SOUTH TRANSCO LLC

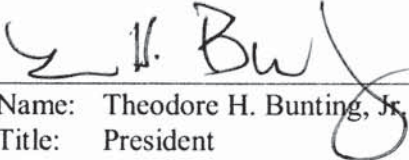
By: _____
Name: Theodore H. Bunting, Jr.
Title: President

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.


ENTERGY CORPORATION

By: _____
Name: J. Wayne Leonard
Title: Chairman and Chief Executive Officer

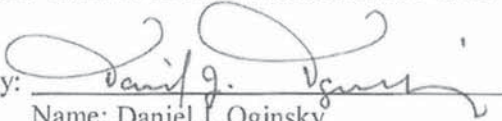
MID SOUTH TRANSCO LLC

By:  _____
Name: Theodore H. Bunting, Jr.
Title: President

ITC HOLDINGS CORP.

By: 
Name: Joseph L. Welch
Title: President and Chief Executive Officer

IBIS TRANSACTION SUBSIDIARY LLC

By: 
Name: Daniel J. Oginsky
Title: Senior Vice President and General Counsel

Execution VersionAMENDMENT NO. 1 TO THE MERGER AGREEMENT

This Amendment No. 1 (this "Amendment"), dated as of September 21, 2012 and effective as of December 4, 2011, amends the Merger Agreement, dated as of December 4, 2011 (the "Merger Agreement"), among Entergy Corporation, a Delaware corporation ("Entergy"), Mid South TransCo LLC, a Delaware limited liability company and presently a wholly owned Subsidiary of Entergy ("TransCo"), ITC Holdings Corp., a Michigan corporation ("ITC"), and ITC Midsouth LLC (formerly known as Ibis Transaction Subsidiary LLC), a Delaware limited liability company and a direct wholly owned Subsidiary of ITC ("Merger Sub"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Merger Agreement.

WHEREAS, the parties hereto have entered into the Merger Agreement; and

WHEREAS, in accordance with Section 8.08 of the Merger Agreement, the parties hereto wish to amend the Merger Agreement as set forth below.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements contained herein and intending to be legally bound, the Parties agree as follows:

i. Section 1.03(b) of the Merger Agreement is hereby amended to delete the words "for each share of Entergy Common Stock held by such Record Holder" from the first sentence of the section.

ii. Section 1.04 of the Merger Agreement is hereby amended and restated in its entirety to read as follows:

"Section 1.04 Plans of Reorganization.

(a) This Agreement and the Separation Agreement together shall constitute a "plan of reorganization" under Treasury Regulation Section 1.368-2(g) for the Entergy Contribution and Distribution.

(b) This Agreement shall constitute a "plan of reorganization" under Treasury Regulation Section 1.368-2(g) for the Merger."

iii. Section 1.20 of the Merger Agreement is hereby amended and restated in its entirety to read as follows:

"Section 1.20 Exchange Trust. The Parties agree that, notwithstanding the terms of Section 1.03, Entergy may elect, by written notice to ITC delivered at least thirty (30) Business Days prior to the Closing to retain up to that number of TransCo Common Units that would convert in the Merger to up to 4.9999% of the total number of shares of ITC Common Stock outstanding immediately following the consummation of the Merger that

otherwise would have been distributed in the Distribution on or prior to the Closing Date, and at the Closing such retained TransCo Common Units will convert to ITC Common Stock in the Merger. Such TransCo Common Units and the ITC Common Stock into which they convert are referred to collectively as the “Retained Equity.” At the Closing, the Retained Equity shall be contributed by Entergy to, and thereafter held by, a Delaware trust or other arrangement mutually agreed to by ITC and Entergy (the “Exchange Trust”). The sole trustee of the Exchange Trust (the “Trustee”) shall be a nationally recognized trust company or similar institution mutually agreed to by Entergy and ITC. Each of Entergy and ITC agree that The Goldman Sachs Trust Company of Delaware is an acceptable Trustee. Entergy shall not control the Exchange Trust or the Retained Equity held by it, other than the right to cause the Retained Equity to be distributed pursuant to this Section 1.20. Any such Retained Equity held in the Exchange Trust will be distributed through an exchange offer conducted by the Trustee for outstanding shares of Entergy Common Stock within six (6) months after the Closing; provided, however, if at the end of such period no exchange offer has been effectuated in which all of the Retained Equity has been distributed to the shareholders of Entergy, the Retained Equity shall be distributed pro rata to the shareholders of Entergy. In connection with the Exchange Trust, Entergy, ITC, TransCo and the Trustee will enter into a registration rights agreement, substantially in the form attached hereto as Exhibit A (the “Registration Rights Agreement”), a trust agreement, substantially in the form attached hereto as Exhibit B (the “Trust Agreement”) and a letter agreement, substantially in the form attached hereto as Exhibit C. The Trust Agreement governing the Exchange Trust shall provide that, following the Closing, the Retained Equity may not be transferred other than pursuant to this Section 1.20 and the terms and conditions of the Trust Agreement, and that the Trustee will vote the Retained Equity in any and all matters on which such Retained Equity is entitled to vote in the same proportion as all voting securities of ITC (other than the Retained Equity) that actually vote on such matter are voted. Each of Entergy and ITC agrees to work cooperatively until the Closing to implement the terms of this Section 1.20, including to address any concerns that a Governmental Authority may express with respect to the Retained Equity or the Exchange Trust (including, in each case, to negotiate in good faith any amendments or modifications to the form of the Registration Rights Agreement and the Trust Agreement). All reasonable costs and expenses incurred in connection with the transactions contemplated by this Section 1.20 shall be borne or reimbursed by Entergy, including the reasonable fees and expenses of counsel of ITC incurred in connection therewith. Notwithstanding the foregoing, Entergy will be deemed to have elected not to pursue the transactions contemplated by this Section 1.20, and the Parties will have no further obligation under this Section 1.20, if (i) after discussions with FERC and each Party’s legal advisors, a reasonable determination is made by either Party that doing so would reasonably be expected to result in a determination that any member of the ITC Group shall no longer (or in the case of TransCo and its Subsidiaries, shall not) be deemed independent by FERC, (ii) FERC does not expressly approve the transactions contemplated by this Section 1.20 in the FERC Approvals or (iii) Entergy is unable to obtain a ruling from the IRS that the implementation of the Exchange Trust will not affect the Distribution being a wholly tax-free exchange, the implementation of the transactions contemplated by this Section 1.20 and/or the distribution or exchange of the

Retained Equity by Entergy to the Entergy shareholders would otherwise be inconsistent with the Ruling or unreasonably delay its receipt by Entergy or cause the Tax Opinion not to be delivered.”

iv. Section 5.01(a) of the Merger Agreement is hereby amended to replace the words “June 30, 2012” in the first sentence of the section with the words “December 31, 2012”.

v. Section 5.03(c) of the Merger Agreement is hereby amended to replace the words “when the Audited Financial Statements are delivered” with the words “November 30, 2012”.

vi. Section 9.01 of the Merger Agreement is hereby amended as follows:

(a) To amend and restate the definition of “Employee Matters Agreement” in its entirety to read as follows:

“Employee Matters Agreement” means the Employee Matters Agreement (including any amendments or modifications in accordance with its terms), dated as of December 4, 2011, among Entergy, ITC and TransCo.

(b) To add the following definition after the definition of “Reference Price”:

“Registration Rights Agreement” has the meaning set forth in Section 1.20.

(c) To amend and restate the definition of “Separation Agreement” in its entirety to read as follows:

“Separation Agreement” means the Separation Agreement (including any amendments or modifications in accordance with its terms), dated December 4, 2011, among Entergy, ITC, TransCo, the Utility OpCos and ESI.

(d) To amend and restate the definition of “TransCo Subs” in its entirety to read as follows:

“TransCo Subs” means Transmission Company Arkansas LLC, a Michigan limited liability company, Transmission Company Louisiana I LLC, a Michigan limited liability company, Transmission Company Louisiana II LLC, a Michigan limited liability company, Transmission Company Mississippi LLC, a Michigan limited liability company, Transmission Company New Orleans LLC, a Michigan limited liability company, and Transmission Company Texas LLC, a Michigan limited liability company.

- (e) To add the following definition after the definition of “Transition Services Agreement”:

“Trust Agreement” has the meaning set forth in Section 1.20.

“Trustee” has the meaning set forth in Section 1.20.

vii. New Exhibits A, B and C. The Merger Agreement is hereby amended and supplemented to add (a) as a new Exhibit A to the Merger Agreement the Form of Registration Rights Agreement attached hereto as Exhibit A, (b) a new Exhibit B to the Merger Agreement the Form of Trust Agreement attached hereto as Exhibit B and (c) a new Exhibit C to the Merger Agreement the Form of Letter Agreement attached hereto as Exhibit C.


viii. No Other Amendments or Supplements to the Merger Agreement. On and after the date hereof, each reference in the Merger Agreement to “this Agreement”, “herein”, “hereof”, “hereunder” or words of similar import shall mean and be a reference to the Merger Agreement as amended and supplemented hereby. Except as otherwise expressly provided herein, all of the terms and conditions of the Merger Agreement shall remain unchanged and continue in full force and effect.

ix. Other Miscellaneous Terms. The provisions of Article VIII (Miscellaneous) of the Merger Agreement shall apply mutatis mutandis to this Amendment, and to the Merger Agreement as modified by this Amendment, taken together as a single agreement, reflecting the terms therein as modified hereby.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be executed as of the date first above written.

ENTERGY CORPORATION

By: 
Name: Leo P. Denault
Title: Executive Vice President and Chief Financial Officer

MID SOUTH TRANSCO LLC

By: _____
Name:
Title:

ITC HOLDINGS CORP.

By: _____
Name:
Title:

ITC MIDSOUTH LLC

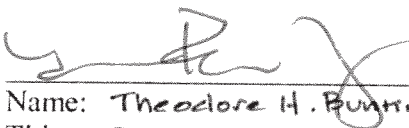
By: _____
Name:
Title:

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be executed as of the date first above written.

ENTERGY CORPORATION

By: _____
Name:
Title:

MID SOUTH TRANSCO LLC

By:  _____
Name: Theodore H. Bunney, Jr.
Title: President

ITC HOLDINGS CORP.

By: _____
Name:
Title:

ITC MIDSOUTH LLC

By: _____
Name:
Title:

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be executed as of the date first above written.

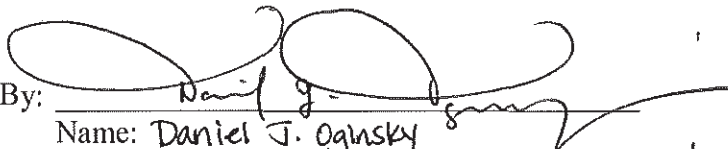
ENTERGY CORPORATION

By: _____
Name:
Title:

MID SOUTH TRANSCO LLC

By: _____
Name:
Title:

ITC HOLDINGS CORP.

By: 
Name: Daniel J. Oginsky
Title: Senior Vice President & General Counsel

ITC MIDSOUTH LLC

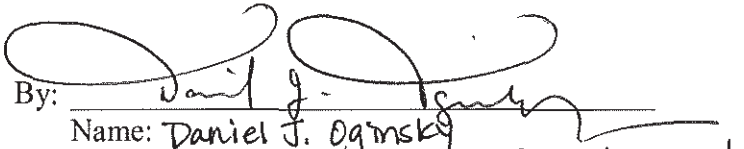
By: 
Name: Daniel J. Oginsky
Title: Senior Vice President & General Counsel

Exhibit A

FORM OF REGISTRATION RIGHTS AGREEMENT

FORM OF REGISTRATION RIGHTS AGREEMENT

by and among

ENTERGY CORPORATION,

ITC HOLDINGS CORP.

and

The Goldman Sachs Trust Company of Delaware, as Trustee

Dated as of _____

TABLE OF CONTENTS

Section 1.	<u>Certain Definitions</u>	2
Section 2.	<u>Demand Registration</u>	5
Section 3.	<u>Expenses</u>	6
Section 4.	<u>Registration and Qualification</u>	6
Section 5.	<u>Control of Exchange Offers</u>	9
Section 6.	<u>Distribution of the Trust Shares</u>	10
Section 7.	<u>Company Holdback Agreement</u>	10
Section 8.	<u>Indemnification and Contribution</u>	11
Section 9.	<u>Miscellaneous</u>	13

FORM OF REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this “Agreement”), dated as of [____], by and among Entergy Corporation, a Delaware corporation (“Entergy”), ITC Holdings Corp., a Michigan corporation (the “Company”) and The Goldman Sachs Trust Company of Delaware, as trustee (the “Trustee”).¹

WHEREAS, in accordance with the Merger Agreement, dated as of December 4, 2011, among Entergy, Mid South TransCo LLC, a Delaware limited liability company (“TransCo”), the Company and Ibis Transaction Subsidiary LLC, a Delaware limited liability company (as may be amended from time to time, the “Merger Agreement”), and the Separation Agreement, dated as of December 4, 2011, by and among the Company, Entergy, TransCo, certain of Entergy’s regulated utility operating companies and Entergy Services, Inc., a Delaware corporation (as may be amended from time to time, the “Separation Agreement”), on the Distribution Date (as defined in the Separation Agreement) Entergy will distribute to Entergy’s shareholders (the “Entergy Shareholders”) all of the TransCo Common Units (as defined in the Merger Agreement) except for the Trust Units (as defined below);

WHEREAS, pursuant to Section 1.20 of the Merger Agreement, Entergy has elected to retain an amount of TransCo Common Units that would convert in the Merger (as defined in the Merger Agreement) to up to 4.9999% of the total number of shares of Common Stock (as defined below) outstanding immediately following the consummation of the Merger (the “Trust Units”) that would otherwise have been distributed as part of Entergy’s disposition of 100% of the TransCo Common Units to Entergy Shareholders on or prior to the Merger;

WHEREAS, pursuant to the Trust Agreement, [dated as of the date hereof], by and among Entergy, the Company, TransCo and Trustee, in its capacity as trustee of the Exchange Trust, a Delaware common law trust (the “Trust”, and such agreement, the “Trust Agreement”), Entergy will contribute the Trust Units to the Trust (such Trust Units will convert to Common Stock in the Merger and are referred to as the “Trust Shares”), which Trust was created by Entergy for the benefit of Entergy and Entergy Shareholders and in accordance with Section 1.20 of the Merger Agreement;

WHEREAS, pursuant to the Trust Agreement, the Trustee has the obligation to deliver the Trust Shares in the manner described in the Trust Agreement and the Merger Agreement;

WHEREAS, pursuant to the terms and conditions of the Trust Agreement, upon written notice by Entergy, the Trustee may conduct (subject to the terms and conditions in the Trust Agreement and the Merger Agreement) an Exchange Offer (as defined below) under which Trustee would offer the Trust Shares to Entergy Shareholders in exchange for shares of common stock of Entergy (the “Entergy Shares”) at a specified exchange ratio, with the remaining unsubscribed Trust Shares, if any, to be disposed of by the Trustee by means of a subsequent pro rata distribution to the Entergy Shareholders; and

¹ NTD: To be executed by the parties on or prior to the Distribution Date if Entergy makes an election to retain the shares under Section 1.20 of the Merger Agreement.

WHEREAS, in connection with any Exchange Offer or Distribution (as defined below), the Company has, among other things, agreed to grant to Entergy certain registration rights applicable to the Trust Shares, and the parties hereto desire to enter into this Agreement to set forth the terms of such registration rights.

NOW, THEREFORE, upon the premises and based on the mutual promises herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

Section 1. Certain Definitions. As used in this Agreement, the following initially capitalized terms shall have the following meanings:

“Action” means any demand, charge, claim, action, suit, counter suit, arbitration, mediation, hearing, inquiry, proceeding, audit, review, complaint, litigation or investigation, or proceeding of any nature whether administrative, civil, criminal, regulatory or otherwise, by or before any federal, state, local, foreign or international Governmental Authority or any arbitration or mediation tribunal.

“Adverse Disclosure” means public disclosure of material information that, in the Company’s good faith judgment, would reasonably be expected either to materially interfere with any material transaction or event under consideration by the Company or any of its subsidiaries, or any negotiations, discussions or proposals relating thereto, or to otherwise have a materially detrimental impact on the Company or its shareholders or any of the Company’s subsidiaries.

“Agreement” has the meaning set forth in the Preamble.

“Common Stock” means the Company’s common stock, no par value.

“Company” has the meaning set forth in the Preamble.

“Company Indemnitees” means the Company, its directors, officers, employees and agents, each of the heirs, executors, successors and assigns of any of the foregoing, and each person, if any, who controls any of the foregoing within the meaning of the Securities Act or the Exchange Act.

“Dealer Manager” has the meaning set forth in Section 2(c).

“Demand Registration” has the meaning set forth in Section 2(a).

“Demand Suspension” has the meaning set forth in Section 2(a)(i).

“Distribution” has the meaning set forth in Section 6(a).

“Distribution Value” means, for any particular Distribution, the average closing price on each of the five trading days after the closing date of such Distribution at which shares of Common Stock traded on each securities exchange and inter-dealer quotation system on

which shares of Common Stock are listed, multiplied by the number of Trust Shares distributed in such Distribution.

“Entergy” has the meaning set forth in the Preamble.

“Entergy Indemnitees” means (i) Entergy, its directors, officers, employees and agents, each of the heirs, executors, successors and assigns of any of the foregoing, and each person, if any, who controls any of the foregoing within the meaning of the Securities Act or the Exchange Act and (ii) the Trustee, its directors, officers, employees and agents, each of the heirs, executors, successors and assigns of any of the foregoing, and, in each case, each person, if any, who controls any of the foregoing within the meaning of the Securities Act or the Exchange Act.

“Entergy Shareholders” has the meaning set forth in the Recitals.

“Entergy Shares” has the meaning set forth in the Recitals.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Exchange Offer” means an offer to the Entergy Shareholders by the Trustee to exchange all or some of the Trust Shares for Entergy Shares (and shall include any Exchange Offer Trust Distribution (as defined in the Trust Agreement) at the completion of such Exchange Offer).

“Exchange Offer Net Proceeds” means, with respect to an Exchange Offer, the average closing price on each of the five trading days prior to the public announcement of such Exchange Offer at which Entergy Shares traded on each securities exchange and inter-dealer quotation system on which Entergy Shares are listed, multiplied by the number of Entergy Shares tendered into such Exchange Offer.

“Indemnifiable Loss” and “Indemnifiable Losses” means any and all damages, losses, deficiencies, liabilities, obligations, penalties, judgments, settlements effected with the Company’s and Entergy’s joint consent, claims, payments, fines, interest, reasonable costs and expenses (including, without limitation, the reasonable costs and expenses of any and all Actions and demands, assessments, judgments, settlements and compromises relating thereto and the reasonable costs and expenses of attorneys’, accountants’, consultants’ and other professionals’ fees and expenses incurred in the investigation or defense thereof or the enforcement of rights hereunder) to which any Indemnitee may become subject under the Securities Act or otherwise, excluding special, consequential, indirect or punitive damages (other than special, consequential, indirect or punitive damages awarded to any third party against an indemnified party).

“Indemnitee” means either an Entergy Indemnitee or a Company Indemnitee.

“Information Statement” has the meaning set forth in Section 6(a).

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

“Registered Distribution” has the meaning set forth in Section 6(b).

“Registration Expenses” means any and all out-of-pocket reasonable and documented expenses incurred in connection with any party’s performance of or compliance with this Agreement (including any registration of the Trust Shares pursuant to this Agreement) and the Trust Agreement, including: (i) SEC and stock exchange registration and filing fees and all listing fees and with respect to the inclusion of securities on the New York Stock Exchange or on any other securities market on which the Common Stock is listed or quoted; (ii) all expenses (including any printing costs) incurred by the Company in connection with the preparation and filing of a registration statement, any preliminary prospectus or final prospectus and amendments and supplements thereto; (iii) all fees, disbursements and expenses of the Company’s counsel, accountants and other advisors in connection with the registration of the Trust Shares (including the expenses of any audit and/or “cold comfort” letter and updates thereof); (iv) all fees, disbursements and expenses of any Dealer Manager; (v) the cost of printing or producing any blue sky or legal investment memorandum or other document in connection with an Exchange Offer or Registered Distribution; (vi) all fees and expenses incurred by the Company in connection with the qualification of the Trust Shares for offering and sale under, and compliance with, state securities or “blue sky” laws and in connection with the preparation of a “blue sky” survey; (vii) the filing fees incurred by the Company incident to securing any required review by the Financial Industry Regulatory Authority, Inc. of the terms of an Exchange Offer or Registered Offering; and (viii) all expenses incurred by the Company and its officers, directors, agents and counsel in connection with “roadshow” presentations and holding meetings with potential investors to facilitate an Exchange Offer, to the extent any such activities are requested by Entergy.

“SEC” means the United States Securities and Exchange Commission, or any successor institution.

“Section 8(a) Offering Document” means (i) whether or not filed with the SEC, (A) a registration statement (and the preliminary or final prospectus included therein), (B) any amendment or supplement thereto, (C) any disclosure incorporated by reference included therein, including, without limitation, a tender offer statement on Schedule TO, and (ii) any communications filed with the SEC in connection therewith.

“Section 8(c) Offering Document” means (i) whether or not filed with the SEC, (A) an Information Statement, (B) any amendment or supplement thereto, and (ii) any communications filed with the SEC in connection therewith.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Separation Agreement” has the meaning set forth in the Recitals.

“TransCo” has the meaning set forth in the Recitals.

“TransCo Common Units” has the meaning given to such term in the Merger Agreement.

“Trust” has the meaning set forth in the Recitals.

“Trust Agreement” has the meaning set forth in the Recitals.

“Trust Expiration Date” has the meaning given to such term in the Trust Agreement.

“Trust Shares” has the meaning set forth in the Recitals.

“Trust Units” has the meaning set forth in the Recitals.

“Trustee” has the meaning set forth in the Recitals.

Section 2. Demand Registration.

(a) For so long as the Trust holds Trust Shares, upon written notice from Entergy, in the manner set forth in Section 9(i), requesting that the Company effect the registration under the Securities Act of all of the Trust Shares by means of an Exchange Offer (a “Demand Registration”), which notice shall specify the amount of Trust Shares proposed to be registered and the intended method of distribution, the Company shall use its reasonable best efforts to effect, in the manner set forth in Section 4, the registration under the Securities Act of such Trust Shares, provided that:

(i) if, while a registration request is pending pursuant to this Section 2, the Company determines, following consultation with and receiving advice from its legal counsel, that the filing or initial effectiveness of a registration statement or any amendment thereto or the sale or other transfer of any Trust Shares would require any Adverse Disclosure, upon notice to Entergy, the Company shall not be required to effect a registration pursuant to this Section 2 (a “Demand Suspension”) until the earlier of (A) the date upon which such Adverse Disclosure is otherwise disclosed to the public or ceases to be an Adverse Disclosure and (B) 45 days after the Company delivers such Demand Suspension; provided, however, that the Company shall not be permitted to exercise a Demand Suspension more than two times. If a Demand Suspension occurs (or continues to occur) within 60 days of the Trust Expiration Date, the Trust Expiration Date shall be extended until 60 days after such Demand Suspension has been terminated. In the case of a Demand Suspension, each of Entergy and the Trustee agrees to suspend use of the applicable prospectus and any free writing prospectuses in connection with any sale of, or offer to sell, Trust Shares, upon receipt of a notice with respect thereto and while such Demand Suspension is pending;

(ii) the Company shall not be obligated to file a new registration statement relating to a registration request for an Exchange Offer pursuant to this Section 2 within a period of 45 days before the Trust Expiration Date; and

(iii) Entergy shall be allowed to request no more than one (1) Demand Registration with respect to the Trust Shares.

(b) Notwithstanding any other provision of this Agreement to the contrary, a registration requested by Entergy pursuant to this Section 2 shall not be deemed to have been effected (and, therefore, not requested for purposes of this Section 2), if: (i) the registration statement filed in connection therewith has not become effective; (ii) after such registration statement has become effective, it becomes subject to any stop order, or there is issued an injunction or other order or decree of the SEC or other governmental agency or court for any reason other than a misrepresentation or an omission by Entergy, which injunction, order or decree prohibits or otherwise materially and adversely affects the offer and sale of the Trust Shares so registered prior to the completion of the exchange thereof in accordance with the Exchange Offer set forth in the registration statement; or (iii) the conditions to the Exchange Offer are not satisfied.

(c) The Trustee shall have the right to designate in consultation with the Company and Entergy (i) one or more nationally recognized investment bankers and managers to act as dealer manager in connection with an Exchange Offer (the “Dealer Manager”), (ii) an exchange agent, (iii) an information agent, and (iv) a distribution agent, in each case mutually acceptable to the Company, the Trustee and Entergy (such acceptance not to be unreasonably withheld). Schedule I sets forth a list of Dealer Managers, exchange agents, information agents and distribution agents that are pre-approved by the Company and Entergy.²

Section 3. Expenses. Entergy agrees to pay all Registration Expenses (including with respect to an Exchange Offer or Distribution pursuant to this Agreement).

Section 4. Registration and Qualification. If and whenever the Company is required to use its reasonable best efforts to effect the registration of any Trust Shares under the Securities Act as provided in this Agreement, the Company shall (with the reasonable cooperation of the Trustee and Entergy):

(a) use its reasonable best efforts to prepare and file a registration statement under the Securities Act relating to the Trust Shares to be offered as soon as practicable, but in no event later than 30 days (60 days if the Company does not meet the requirements for use of Form S-3) after the date notice is given, and use its reasonable best efforts to cause the same to become effective as soon as practicable thereafter, but in no event later than 60 days (90 days if Company does not meet the requirements for use of Form S-3) after the date notice is given; provided that, a reasonable time before filing a registration statement or prospectus, or any amendments or supplements thereto (other than reports required to be filed by it under the Exchange Act), the Company will furnish to the Trustee and Entergy and each of their respective counsel and other representatives (including, without limitation, the Dealer Manager) for review and comment, copies of all documents proposed to be filed and refrain from filing any such registration statement, prospectus or amendments or supplements thereto to which the Trustee, Entergy or their respective counsel shall have reasonably objected on the grounds that such document does not comply in all material respects with the requirements of the Securities Act or the rules and regulations thereunder, unless, in the case of an amendment or supplement, based on the advice of counsel for the Company the filing of such amendment or supplement is reasonably necessary to protect the Company from any liabilities

² NTD: Schedule to be provided prior to execution.

under any applicable federal or state law and such filing will not violate applicable laws; and provided further, that if the Trustee or Entergy so requests, (i) it and its respective counsel and other representatives (including, without limitation, the Dealer Manager) may participate in the drafting and preparation of such registration statement and prospectus and any amendments or supplements thereto that relate to the Exchange Offer or Distribution, as applicable, and (ii) such other information as either of them believe may be beneficial to be included in the registration statement and prospectus and any amendments or supplements thereto for marketing purposes shall be included therein so long as disclosure of such information (A) is in compliance with applicable law and (B) does not competitively harm the Company;

(b) use its reasonable best efforts to prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be reasonably requested by the Trustee or Entergy relating to the plan of distribution or as necessary to keep such registration statement effective with respect to the disposition of all Trust Shares included therein and to otherwise comply with the provisions of the Securities Act with respect to the disposition of all Trust Shares included therein until the earlier of (i) such time as all of such Trust Shares have been disposed of in accordance with the intended methods of disposition set forth in such registration statement, (ii) if such registration statement relates to an Exchange Offer, the expiration of such Exchange Offer and (iii) the Trust Expiration Date;

(c) furnish to the Trustee and the Dealer Manager such number of conformed copies of such registration statement and of each amendment thereto (in each case excluding all exhibits), such number of copies of the prospectus included in such registration statement (including each preliminary prospectus) and of each supplement thereto, in conformity with the requirements of the Securities Act, and such other documents, as the Trustee or the Dealer Manager may reasonably request in writing in order to facilitate an Exchange Offer or a Registered Distribution, and a copy of any and all transmittal letters or other correspondence to, or received from, the SEC or any other governmental agency or self-regulatory body or other body having jurisdiction (including, without limitation, any domestic or foreign securities exchange) relating to such offering;

(d) use its reasonable best efforts to register or qualify all Trust Shares covered by such registration statement under the securities or “blue sky” laws of such jurisdictions (domestic or foreign) as the Trustee or the Dealer Manager may reasonably request in writing, and use its reasonable best efforts to obtain all appropriate registrations, permits and consents required in connection therewith, and do any and all other acts and things which may be necessary or advisable to enable the Trustee to consummate the disposition in such jurisdictions of the Trust Shares covered by such registration statement; provided that the Company shall not for any such purpose be required to register or qualify generally to do business as a foreign corporation in any jurisdiction wherein it is not so qualified, or to subject itself to taxation in any such jurisdiction, or to consent to general service of process in any such jurisdiction;

(e) (i) in the event of an Exchange Offer, use its reasonable best efforts to furnish a customary opinion of counsel for the Company addressed to the Trustee, Entergy and the Dealer Manager, dated, respectively, the date of commencement of such Exchange Offer and the date of expiration of such Exchange Offer, (ii) in the event of a

Registered Distribution, use its reasonable best efforts to furnish a customary opinion of counsel for the Company addressed to Entergy and the Trustee, dated the closing date of such Registered Distribution, and (iii) use its reasonable best efforts to furnish a “cold comfort” letter addressed to Entergy and the Trustee (and the Dealer Manager in the event of an Exchange Offer), if permissible under applicable accounting practices, and signed by the independent public accountants who have audited the Company’s financial statements included in such registration statement, in each such case covering substantially the same matters with respect to such registration statement (and the prospectus included therein) as are customarily covered in opinions of issuer’s counsel (including a “10b-5” opinion) and in accountants’ letters delivered to underwriters in underwritten public offerings of securities and such other matters as Entergy or the Trustee may reasonably request and, in the case of such accountants’ letter, with respect to events subsequent to the date of such financial statements;

(f) notify the Trustee and Entergy in writing immediately:

(i) of the occurrence of any event as a result of which the prospectus included in such registration statement, as then in effect, includes a misstatement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading,

(ii) of any written comments from the SEC in respect of such registration statement (and provide copies thereof to the Trustee, Entergy and the Dealer Manager) and of any request by the SEC or any other regulatory body or other body having jurisdiction for any amendment of or supplement to such registration statement or other document relating to such offering, in each case, pursuant to such confidentiality agreements as the Company may reasonably request, and

(iii) of the issuance by the SEC of any stop order suspending the effectiveness of such registration statement or the initiation of proceedings for that purpose,

and, in the case of clauses (i) (ii) and (iii), promptly use its reasonable best efforts, respectively, to (A) prepare an amendment or supplement, such that the prospectus included in such registration statement shall not include a misstatement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; provided that the Company shall have no such obligation during any Demand Suspension period, (B) respond reasonably to any such comments and to file promptly any necessary amendments or supplements, and (C) prevent the issuance of any stop order or to obtain the withdrawal if such stop order should be issued;

(g) use its reasonable best efforts to list all Trust Shares covered by such registration statement on each securities exchange and inter-dealer quotation system on which the Common Stock is then listed, if and when the listing of such shares is then permitted under the rules of such exchange or inter-dealer quotation system;

(h) to the extent reasonably requested by the Trustee, Entergy or the Dealer Manager in connection with an Exchange Offer, send appropriate officers of the Company (as the Company may reasonably select) to attend any “road shows” scheduled in connection with any such Exchange Offer;

(i) in connection with the closing of any Exchange Offer or Distribution, and in collaboration with the Trustee, furnish or cause to be furnished for delivery the Trust Shares in uncertificated book-entry form (not bearing any restrictive notations) and enable or cause to be enabled such book-entries to be in such denominations or amounts as the Trustee or the Dealer Manager may reasonably request, registered in such names as the Trustee or the Dealer Manager may request;

(j) make available for inspection, during normal business hours at the offices of the Company and upon reasonable advance notice, by the Trustee, Entergy, and any legal counsel, accountant or other agent retained by the Trustee, Entergy and the Dealer Manager and its counsel, financial and other records, pertinent corporate documents and properties of the Company as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company’s officers and employees and use its reasonable best efforts to cause the Company’s independent registered public accountants (subject to any requesting party executing any document reasonably requested by such accountants to furnish such information) to supply all information reasonably requested by the Trustee or Entergy, such counsels, accountants or agents in connection with such registration statement (including, without limitation, the opportunity to discuss the business of the Company with its officers and the independent registered public accountants who have certified its financial statements) (subject to the execution by the prospective recipient thereof of a customary confidentiality agreement in form and substance reasonably satisfactory to the Company) as shall be necessary, in the opinion of their respective counsel, to conduct a reasonable due diligence investigation within the meaning of the Securities Act; provided, however, that records and documents which the Company determines, in good faith, to be confidential and which it notifies such counsel, accountant or agent are confidential shall not be disclosed by the Company unless (i) the disclosure of such records or documents is necessary to avoid or correct a material misstatement or omission in such registration statement or (ii) the release of such records or documents is ordered pursuant to a subpoena or other order from a court of competent jurisdiction; provided, further, that each such counsel, accountant or agent shall be required to maintain in confidence and not disclose to any other person (other than to the Trustee or Entergy) any information or records reasonably designated by the Company as being confidential, except as required by law or to establish a due diligence defense; and

(k) in the event of an Exchange Offer, negotiate in good faith and enter into an agreement with the Dealer Manager related to such Exchange Offer, in customary form and on customary terms for the particular transaction, and take the actions required thereunder (provided that any costs, expenses and liabilities under such agreement shall be paid by Entergy (but without limiting the obligations of ITC under of Section 8(a))).

Section 5. Control of Exchange Offers. Subject to applicable laws and regulations and the Trust Agreement, Entergy shall determine all material terms and conditions of any Exchange Offer, including, without limitation, the timing of the commencement, the exchange

ratio, the expiration date, any extension thereof and the number of Trust Shares to be offered for exchange.

Section 6. Distribution of the Trust Shares.

(a) Pursuant to the Trust Agreement, the Trustee is obligated, upon the occurrence of certain events set forth in the Trust Agreement and, in lieu of or in addition to one or more Exchange Offers, to deliver the Trust Shares (or, if an Exchange Offer has previously been consummated, any remaining Trust Shares held by the Trust) to Entergy's distribution agent for distribution to the Entergy Shareholders on a pro rata basis (such distribution, a "Distribution"). In the event the Trustee becomes obligated to effect a Distribution, whether in lieu of or in addition to one or more Exchange Offers, Entergy will prepare an information statement that complies with SEC Staff Legal Bulletin #4 4.B.3.b. (the "Information Statement") and deliver the Information Statement to the Entergy Shareholders of record as of the distribution date as will be set forth in the Information Statement; provided that, a reasonable time before such delivery, Entergy will furnish to the Company and its counsel and other representatives for review and comment, copies of the Information Statement, and consider in good faith any and all comments from ITC. The Company shall provide the Trustee and Entergy, during normal business hours at the offices of the Company and upon reasonable advance notice, reasonable and customary access to its books and records and such opportunities to discuss the business of the Company as shall be reasonably necessary to satisfy Entergy's obligations under the Securities Act and the Exchange Act with respect to the Information Statement; provided, however, that books and records which the Company determines, in good faith, to be confidential and which it notifies the Trustee and Entergy are confidential shall not be disclosed by the Company unless (i) the disclosure of such records or documents is necessary to avoid or correct a material misstatement or omission in such Information Statement or (ii) the release of such books or records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction; provided, further, that each of the Trustee and Entergy shall be required to maintain in confidence and not disclose to any other person any information or records reasonably designated by the Company as being confidential, except as required by law or to establish a due diligence defense.

(b) If, upon the written advice of counsel, the Trustee or Entergy reasonably believes that the disposal of any Trust Shares by a Distribution requires such Trust Shares to be registered under the Securities Act, the Company shall register such Trust Shares to be disposed of in such Distribution (a "Registered Distribution") pursuant to (and subject to the limitations contained in) Section 2 of this Agreement and the provisions related to an Exchange Offer in Section 2 of this Agreement shall apply to such Distribution, as appropriate; provided, however, that under no circumstances shall the Company be entitled to rely on Section 2(a)(ii) of this Agreement as a basis of not effecting a registration of any Trust Shares in connection with a Registered Distribution.

Section 7. Company Holdback Agreement. The Company agrees not to effect any public sale or distribution of shares of Common Stock during the period beginning seven days before the commencement of an Exchange Offer and ending 10 days after the expiration of such Exchange Offer (or, in the case of a Registered Distribution, beginning seven days before the effectiveness of such registration statement and ending the closing date of such Registered

Distribution). Notwithstanding the foregoing, the Company may effect a public sale or distribution of shares of Common Stock during the periods described above if such sale or distribution is made pursuant to a registration statement on Form S-8 or any successor form to such form or as part of any registration of securities for offering and sale to employees or directors of the Company pursuant to any employee stock plan or other employee benefit plan arrangement.

Section 8. Indemnification and Contribution.

(a) In the case of each Exchange Offer or Registered Distribution, the Company shall indemnify, defend and hold harmless the Entergy Indemnitees from and against any and all Indemnifiable Losses arising out of, by reason of or otherwise in connection with any misstatement or alleged misstatement of a material fact, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, contained in a Section 8(a) Offering Document; provided, however, that the Company shall not be liable to Entergy in any such case to the extent that any such Indemnifiable Loss (including any legal or other expense) arises out of, is based upon or is caused by any such misstatement or omission or alleged misstatement or omission based upon information relating to Entergy or the Trustee, as the case may be, furnished to the Company in writing by or on behalf of Entergy or the Trustee or incorporated by reference from any filings made by Entergy or the Trustee with the SEC pursuant to the Securities Act or Exchange Act.

(b) In the case of each Exchange Offer or Registered Distribution, Entergy shall indemnify, defend and hold harmless the Company Indemnitees from and against any and all Indemnifiable Losses arising out of, by reason of or otherwise in connection with any misstatement or alleged misstatement of a material fact, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, contained in a Section 8(a) Offering Document, but in each case only to the extent that any such Indemnifiable Loss arises out of, is based upon or is caused by any such misstatement or omission or alleged misstatement or omission contained in information relating to Entergy or the Trustee, as the case may be, furnished in writing to the Company by or on behalf of Entergy or the Trustee or incorporated by reference from any filings made by Entergy or the Trustee with the SEC pursuant to the Securities Act or Exchange Act.

(c) In the case of each Distribution effected under Section 6(a), Entergy shall indemnify, defend and hold harmless the Company Indemnitees from and against any and all Indemnifiable Losses arising out of, by reason of or otherwise in connection with any misstatement or alleged misstatement of a material fact, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, contained in a Section 8(c) Offering Document; provided, however, that Entergy shall not be liable to the Company in any such case to the extent that any such Indemnifiable Loss (including any legal or other expense) arises out of, is based upon or is caused by any such misstatement or omission or alleged misstatement or omission based upon information relating to the Company furnished to

Entergy in writing by or on behalf of the Company or incorporated by reference from any filings made by the Company with the SEC pursuant to the Securities Act or Exchange Act.

(d) In the case of each Distribution effected under Section 6(a), the Company shall indemnify, defend and hold harmless the Entergy Indemnitees from and against any and all Indemnifiable Losses arising out of, by reason of or otherwise in connection with any misstatement or alleged misstatement of a material fact, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, contained in a Section 8(c) Offering Document, but in each case only to the extent that any such Indemnifiable Loss arises out of, is based upon or is caused by any such misstatement or omission or alleged misstatement or omission contained in information relating to the Company furnished in writing to Entergy by or on behalf of the Company or incorporated by reference from any filings made by the Company with the SEC pursuant to the Securities Act or Exchange Act.

(e) An Indemnitee shall give the indemnifying party written notice of any matter that an Indemnitee has determined has given or could give rise to a right of indemnification under this Agreement, within 10 business days of such determination, stating the amount of the loss claimed, if known, and method of computation thereof, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed by such Indemnitee or arises; provided, however, that the failure to provide such notice shall not release the indemnifying party from any of its obligations except and solely to the extent the indemnifying party shall have been materially prejudiced as a result of such failure (except that the indemnifying party shall not be liable for any expenses incurred during the period in which the Indemnitee failed to give such notice).

(f) If the indemnification provided for in this Section 8 is unavailable to, or insufficient to hold harmless an Indemnitee in respect of any Indemnifiable Loss, then the indemnifying party shall contribute to the amount paid or payable by such Indemnitee as a result of such Indemnifiable Loss in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the Indemnitee with respect to the misstatements or omissions that resulted in such Indemnifiable Loss, as well as any other relevant equitable considerations. With respect to the foregoing, the relative fault of such indemnifying party and Indemnitee shall be determined by reference to, among other things, whether the misstatement or alleged misstatement of a material fact or omission or alleged omission to state a material fact relates to information related to and supplied by such indemnifying party or Indemnitee, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such misstatement or omission. The parties agree that it would not be just and equitable if contribution pursuant to this Section 8(f) were determined by a pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in this Section 8(f). The amount paid or payable by an Indemnitee as a result of the Indemnifiable Losses referred to in this Section 8(f) shall be deemed to include, subject to the limitations set forth above, any out-of-pocket legal or other fees or expenses reasonably incurred by such Indemnitee in connection with investigating any claim or defending any Action. In no event, however, shall Entergy be required to contribute in excess of the amount of, with respect to one or more Exchange Offers, the aggregate Exchange Offer Net Proceeds, and, with respect to one or more Distributions, the aggregate Distribution Values. No person guilty of fraudulent

misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(g) Indemnification required by this Section 8 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or an Indemnifiable Loss incurred.

(h) The indemnity and contribution agreements contained in this Section 8 shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Indemnitee; and (ii) the transfer of securities.

Section 9. Miscellaneous.

(a) Specific Performance. The parties agree that irreparable damage would occur in the event that the provisions of this Agreement were not performed in accordance with their specific terms and further agree that, although monetary damages may be available for the breach of such provisions, monetary damages would be an inadequate remedy therefor. It is accordingly agreed that, in addition to any other remedy that may be available to it, including monetary damages, each of the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Each of the parties further agrees that no party to this Agreement shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 9 and each party waives any objection to the imposition of such relief or any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument.

(b) Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and the parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

(c) Further Assurances. Subject to the specific terms of this Agreement, each of the parties hereto shall make, execute, acknowledge and deliver such other instruments and documents, and take all such other actions, as may be reasonably required in order to effectuate the purposes of this Agreement and to consummate the transactions contemplated hereby.

(d) Waivers. The failure of either party to require strict performance by the other party of any provision in this Agreement will not waive or diminish that party's right to demand strict performance thereafter of that or any other provision hereof.

(e) Entire Agreement. This Agreement contains the final and complete understanding of the parties with respect to its subject matter. This Agreement supersedes all prior agreements and understandings between the parties, whether written or oral, with respect to the subject matter hereof.

(f) Counterparts. This Agreement may be executed in more than one counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other party. Execution of this Agreement or any other documents pursuant to this Agreement by facsimile or other electronic copy of a signature shall be deemed to be, and shall have the same effect as, executed by an original signature.

(g) Termination. The right of Entergy to request registration pursuant to this Agreement shall terminate on such date that the Trust no longer holds any Trust Shares.

(h) Amendment. This Agreement may not be modified or amended except by an agreement in writing signed by each of the parties.

(i) Notices. All notices and other communications under this Agreement shall be in writing in English and shall be deemed given when delivered personally, on the next business day after delivery by a recognized overnight courier or when sent by facsimile, (which facsimile copy shall be followed, in the case of notices or other communications sent to the Trustee, by delivery of the original) when the sender receives a written fax confirmation thereof, at the following addresses (or to such other address as a party may have specified by notice given to the other parties pursuant to this Section 9(i)):

(i) To Entergy:

Entergy Corporation
639 Loyola Avenue
New Orleans, LA 70113
Attn: J. Wayne Leonard, Chief Executive Officer
Facsimile: (504) 576-2776

with a copy to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005
Attn: Michael P. Rogan, Esq.; Pankaj K. Sinha, Esq.
Facsimile: (202) 393-5760

(ii) To the Company:

ITC Holdings Corp.
27175 Energy Way
Novi, MI 48377

Attn: Daniel J. Oginsky, Senior Vice President and General Counsel
Facsimile: (248) 946-3562

with a copy to (which shall not constitute notice):

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Attn: Andrew W. Smith, Esq.
Facsimile: (212) 455-2502

(iii) To the Trustee:

The Goldman Sachs Trust Company of Delaware
601 Delaware Avenue, 2nd Floor
Wilmington, DE 19801
Facsimile: (212) 493-9045
Attn: Kathleen Kinne

with a copy to (which shall not constitute notice):

Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004-2948
Attn: Glen T. Schleyer, Esq.
Facsimile: (212) 558-3588

or to such other address as either party may, from time to time, designate in a written notice in a like manner.

(j) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any conflict or choice of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

(k) Consent to Jurisdiction. The parties irrevocably and unconditionally agrees that any legal action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other party hereto or its successors or assigns, shall be brought and determined exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Each of the parties hereby irrevocably submits with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and

agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the aforesaid courts. Each of the parties hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason other than the failure to serve in accordance with this Section 9(k), (b) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by the applicable law, any claim that (i) the suit, action or proceeding in such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

(l) Waiver of Jury Trial. EACH OF THE PARTIES IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(m) Assignment. Except as otherwise expressly provided for in this Agreement, this Agreement shall not be assignable, in whole or in part, by either party without the prior written consent of the other party, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be null and void; provided, that a party may assign this Agreement in connection with a merger transaction in which such party is not the surviving entity or the sale by such party of all or substantially all of its assets, and upon the effectiveness of such assignment the assigning party shall be released from all of its obligations under this Agreement if the surviving entity of such merger or the transferee of such assets shall agree in writing, in form and substance reasonably satisfactory to the other party, to be bound by the terms of this Agreement as if named as a “party” hereto.

(n) Successors and Assigns. Subject to Section 9(m), the provisions of this Agreement and the obligations and rights hereunder shall be binding upon, inure to the benefit of and be enforceable by (and against) the parties and their respective successors and permitted transferees and assigns.

(o) Third Party Beneficiaries. Except as provided in Section 8 relating to Indemnitees, this Agreement is solely for the benefit of the parties and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

(p) Titles and Headings. Titles and headings to Sections and Articles are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

(q) Conflicting Agreements. The Company shall not hereafter grant any rights to any person to register securities of the Company, the exercise of which would conflict with the rights granted to the Trustee and Entergy under this Agreement.

(r) Construction. The parties have participated jointly in the negotiation and drafting of this Agreement. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

(s) Authorization. Each of the parties hereby represents and warrants that it has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such party, that this Agreement constitutes a legal, valid and binding obligation of each such party and that the execution, delivery and performance of this Agreement by such party does not contravene or conflict with any provision of law or of its charter or bylaws or any material agreement, instrument or order binding on such party.

(t) Application of Article VI of the Separation Agreement to this Agreement. This Agreement, together with any amendments, modifications, or supplements to this Agreement, shall be deemed an Ancillary Agreement under the Separation Agreement; provided, however, for purposes of applying Article VI (Tax Matters) of the Separation Agreement, a public sale or distribution of shares of Common Stock contemplated by Section 7 of this Agreement shall not be treated as “provided for” in an Ancillary Agreement.

IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be duly executed as of the day and year first above written.

ENTERGY CORPORATION

By _____
Name:
Title:

ITC HOLDINGS CORP.

By _____
Name:
Title:

THE GOLDMAN SACHS TRUST
COMPANY OF DELAWARE, as Trustee

By _____
Name:
Title:

Schedule I

Dealer Managers, Exchange Agents and Information Agents

Exhibit B

FORM OF TRUST AGREEMENT

FORM OF TRUST AGREEMENT

TRUST AGREEMENT, dated as of [_____] ¹, (this “Agreement”) by and among Entergy Corporation, a Delaware corporation (“Grantor”), ITC Holdings Corp., a Michigan corporation (“ITC”), Mid South TransCo LLC, a Delaware limited liability company (“TransCo”), and The Goldman Sachs Trust Company of Delaware, as trustee (the “Trustee”).

WHEREAS, pursuant to the Merger Agreement, dated as of December 4, 2011, among Grantor, TransCo, ITC and Ibis Transaction Subsidiary LLC, a Delaware limited liability company (the “Merger Agreement”), and the Separation Agreement, dated as of December 4, 2011, by and among Grantor, TransCo, ITC, certain of Grantor’s regulated utility operating companies and Entergy Services, Inc., a Delaware corporation (the “Separation Agreement”), on the Distribution Date (as defined in the Separation Agreement), Grantor will distribute to Grantor’s shareholders (“Grantor Shareholders”) all of the TransCo Common Units (as defined in the Merger Agreement), except for the Trust Units (as defined below), on a pro rata basis;

WHEREAS, pursuant to Section 1.20 of the Merger Agreement, Grantor has elected to retain an amount of TransCo Common Units that would convert in the Merger (as defined below) to up to 4.9999% of the total number of shares of ITC Common Stock (as defined below) outstanding immediately following the consummation of the Merger (the “Trust Units”) that would otherwise have been distributed as part of Grantor’s disposition of 100% of the TransCo Common Units to Grantor Shareholders on or prior to the Effective Time (as defined below);

WHEREAS, on the Closing Date (as defined below) and prior to the Effective Time, the Trust Units shall be contributed by Grantor to the Trustee to be held by the Trustee in trust in accordance with the terms of this Agreement and Section 1.20 of the Merger Agreement;

WHEREAS, at the Effective Time, each of the Trust Units will be converted into the right to receive one fully paid and nonassessable share of ITC Common Stock (such shares of ITC Common Stock collectively, the “Trust Shares”);

WHEREAS, the Trustee may complete an Exchange Offer (as defined below) within six (6) months after the Distribution Date (as defined in the Separation Agreement) under which the Trustee may offer the Trust Shares to the then current Grantor Shareholders; and

WHEREAS, if all of the Trust Shares are not exchanged and distributed pursuant to the Exchange Offer, or upon the occurrence of certain specified events, the remaining Trust

¹ NTD: To be executed by the parties on or prior to the Distribution Date if Grantor makes an election to retain the shares under Section 1.20 of the Merger Agreement.

Shares will be distributed by the Trustee by means of a Trust Distribution (as defined below) pro rata to the then current Grantor Shareholders, subject to the terms and conditions set forth herein.

NOW, THEREFORE, the parties hereto, intending to be legally bound, do hereby agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1 Definitions. As used in this Agreement, the following capitalized terms shall have the following meanings:

“Accelerated Trust Distribution” has the meaning set forth in Section 4.3(l).

“Accelerated Trust Distribution Date” has the meaning set forth in Section 4.3(l).

“Accelerated Trust Distribution Record Date” has the meaning set forth in Section 4.3(l).

“Affiliate” means, with respect to any person, any other person directly or indirectly controlling, controlled by, or under common control with such other person as of the date on which, or at any time during the period for which, the determination of affiliation is being made. For purposes of this definition, the term “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any person means 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 contract or otherwise. For the avoidance of doubt, for purposes of this Agreement the Trustee and ITC shall not be treated as Affiliates of Grantor.

“Agreement” has the meaning set forth in the Preamble.

“Averaging Period” has the meaning set forth in Section 4.3(b).

“Beneficiaries” has the meaning set forth in Section 2.5.

“Business Day” means any day that is not a Saturday or Sunday or a day on which banks are required or permitted by law or executive order to be closed in the City of New York.

“Closing” has the meaning given to such term in the Merger Agreement.

“Closing Date” has the meaning given to such term in the Merger Agreement.

“De Minimis Dividend” has the meaning set forth in Section 2.9(c).

“Discount” has the meaning set forth in Section 4.3(b).

“Distribution Agent” means the distribution agent mutually acceptable to Grantor, ITC and Trustee (such acceptance not to be unreasonably withheld).

“Distribution Date” has the meaning set forth in the Separation Agreement.

“Distribution De Minimis Payment” has the meaning set forth in Section 4.6(c).

“Dividend Proceeds” has the meaning set forth in Section 2.9(b).

“Effective Time” has the meaning set forth in the Merger Agreement.

“Exchange Agent” means a bank or trust company reasonably mutually acceptable to Grantor, ITC and the Trustee (such acceptance not to be unreasonably withheld)..

“Exchange Offer” means an offer, to be conducted in all material respects in accordance with applicable Law and this Agreement, to the Grantor Shareholders by the Trustee to exchange all or some of the Trust Shares for Grantor Shares.

“Exchange Offer Closing” has the meaning set forth in Section 4.3(a).

“Exchange Offer De Minimis Payment” has the meaning set forth in Section 4.3(j).

“Exchange Offer Distribution” has the meaning set forth in Section 4.3(k).

“Exchange Offer Distribution Date” has the meaning set forth in Section 4.3(k).

“Exchange Ratio” has the meaning set forth in Section 4.3(b).

“Expense Pre-Funded Amount” has the meaning set forth in Section 7.1.

“Grantor” has the meaning set forth in the Preamble.

“Grantor Shares” means shares of common stock of Grantor, par value \$0.01 per share.

“Grantor Shareholders” has the meaning set forth in the Recitals and shall, for the avoidance of doubt, not include Grantor or any Grantor subsidiaries that may hold Grantor Shares.

“Information Statement” has the meaning set forth in Section 4.3(l)(i).

“Initial Notice” has the meaning set forth in Section 4.5(b)(i).

“Internal Revenue Code” means the United States Internal Revenue Code of 1986, as amended.

“Irrevocable Terms” has the meaning set forth in Section 4.3(a).

“ITC” has the meaning set forth in the Preamble.

“ITC Common Stock” has the meaning given to such term in the Merger Agreement.

“Law” means any statute, law (including common law), ordinance, regulation, rule, code or other legally enforceable requirement of, or order issued by, any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority, or stock exchange or other self-regulatory organization.

“Mandatory Distribution” has the meaning set forth in Section 4.4(a).

“Mandatory Distribution Date” has the meaning set forth in Section 4.4(c).

“Mandatory Record Date” has the meaning set forth in Section 4.4(c).

“Merger” has the meaning given to such term in the Merger Agreement.

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

“Merger Event” means the consummation and closing of (i) a merger of Grantor or ITC into an entity which does not result in Grantor or ITC, as the case may be, surviving such merger, or (ii) any transaction whereby Grantor or ITC cease to exist for United States federal income tax purposes.

“Merger Event Distribution” has the meaning set forth in Section 4.5(a).

“Merger Event Distribution Date” has the meaning set forth in Section 4.5(c).

“Merger Event Record Date” has the meaning set forth in Section 4.5(c).

“NYSE” means the New York Stock Exchange.

“Offer Conditions” has the meaning set forth in Section 4.3(a).

“Offer Documents” has the meaning set forth in Section 4.3(d).

“Proration Factor” has the meaning set forth in Section 4.3(c).

“Qualified Charity” means, at the time the property is contributed to it, an organization described in Section 170(c) of the Internal Revenue Code.

“Record Date” means a Mandatory Record Date or a Merger Event Record Date, as the case may be.

“Registration Rights Agreement” means a Registration Rights Agreement, dated as of the date hereof, by and among Grantor, the Trustee and ITC.

“SEC” means the United States Securities and Exchange Commission, or any successor institution.

“Separation Agreement” has the meaning set forth in the Recitals.

“Schedule TO” has the meaning set forth in Section 4.3(d).

“TransCo” has the meaning set forth in the Recitals.

“TransCo Common Units” has the meaning given to such term in the Merger Agreement.

“Transfer” means any direct or indirect, voluntary or involuntary assignment, transfer, pledge, set off, alienation, or disposition (including by operation of law). For purposes of this Agreement, Transfer shall include any correlative meanings.

“Trust” means a Delaware common law trust formed pursuant to this Agreement, the corpus of which initially shall consist of the Trust Units.

“Trust Distribution” means an Exchange Offer Distribution, an Accelerated Trust Distribution, a Mandatory Distribution or a Merger Event Distribution, as the case may be.

“Trust Distribution Date” means an Exchange Offer Distribution Date, an Accelerated Trust Distribution Date, a Mandatory Distribution Date or a Merger Event Distribution Date, as the case may be.

“Trust Effective Time” has the meaning set forth in Section 2.8.

“Trust Expiration Date” has the meaning set forth in Section 4.1(a).

“Trust Income” has the meaning set forth in Section 2.9(a).

“Trust Shares” has the meaning set forth in the Recitals.

“Trust Units” has the meaning set forth in the Recitals.

“Trustee” has the meaning set forth in the Preamble.

“Upper Limit” has the meaning set forth in Section 4.3(b).

“VWAP” has the meaning set forth in Section 4.3(b).

Section 1.2 References; Interpretation. References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. Any action to be taken by the Board of Directors of such party may be taken by a committee of the Board of Directors of such party if properly delegated by the Board of Directors of a party to such committee. Unless the context otherwise requires:

(a) the words “include,” “includes” and “including” when used in this Agreement shall be deemed to be followed by the phrase “without limitation”;

(b) references in this Agreement to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement; and

(c) the words “hereof,” “hereby” and “herein” and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section or provision of this Agreement.

ARTICLE II

DECLARATION OF TRUST

Section 2.1 Creation of Trust. Upon the execution of this Agreement by the parties hereto, there is hereby created a common law trust under the laws of the State of Delaware that is referred to herein as the “Trust”, for the benefit of the Beneficiaries, which common law trust shall be irrevocable except as expressly provided in Article VI.

Section 2.2 Appointment of Trustee. Grantor hereby appoints The Goldman Sachs Trust Company of Delaware as trustee of the Trust, and the Trustee hereby accepts such appointment, in accordance with the terms and conditions set forth herein.

Section 2.3 Purpose of Trust. The sole purpose of the Trust is to (i) hold the Trust Units and, following the Effective Time, the Trust Shares; (ii) exchange or distribute the Trust Shares in connection with an Exchange Offer or Trust Distribution, as the case may be, subject to the terms and conditions set forth herein; (iii) hold the Expense Pre-Funded Amount, Trust Income and Dividend Proceeds; and (iv) protect and conserve the Trust property for the benefit of the Beneficiaries. The Trust shall hold no assets other than (x) the Trust Units and, following the Effective Time, the Trust Shares, (y) cash consisting of the Expense Pre-Funded Amount or from Trust Income and (z) Dividend Proceeds.

Section 2.4 Transfer to the Trust; Acceptance by Trustee. On the Closing Date and prior to the Effective Time, Grantor shall cause to be transferred to the Trustee, as trustee of the Trust, absolutely and unconditionally, all right, title and interest in and to the Trust Units. TransCo shall record, or shall cause to be recorded, such transfer in its equity transfer ledger. In connection with such transfer, Grantor shall deliver to the Trustee a certificate representing the Trust Units and evidencing the Trust's ownership thereof. Prior to the Merger, the Trustee shall deliver such certificate to the exchange agent (as defined in the Merger Agreement,) and as contemplated by Section 1.10 of the Merger Agreement, such exchange agent will hold the certificate for the account of the Trust. As provided in the Merger Agreement, the Trust Units will convert to Trust Shares at the Effective Time and the Trust shall be the legal owner of the Trust Shares. The Trustee hereby declares that it will hold the Trust Units and, after the Effective Time, the Trust Shares, in trust hereunder for the exclusive use and benefit of the Beneficiaries and for the purposes, and subject to the terms and conditions, set forth herein.

Section 2.5 Beneficiaries. Grantor and the Grantor Shareholders shall be the beneficiaries of the Trust (the “Beneficiaries”); provided, however, that in no event shall any Trust Shares be Transferred to Grantor. Each Beneficiary’s rights and interest in the Trust shall be limited to the exclusive rights expressly set forth in this Agreement.

Section 2.6 Restrictions on Transfer by Grantor. Grantor shall not Transfer all or any portion of its beneficial interest in (including in the income or principal of) the Trust. Any such prohibited Transfer is void *ab initio*. For the avoidance of doubt, an Exchange Offer, Trust Distribution or any transfer or other disposition of Grantor Shares by any Grantor Shareholder will not be considered a Transfer by the Grantor for purposes of this Section 2.6.

Section 2.7 Grantor Shareholders’ Interest.

(a) Each Grantor Shareholder’s beneficial interest in the Trust is indivisible from such Grantor Shareholder’s pro rata ownership of Grantor Shares and cannot be Transferred without simultaneously Transferring to the same transferee the underlying Grantor Shares held by such Grantor Shareholder. Accordingly, the Trustee shall not, directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, recognize any Transfer of all or any portion of the beneficial interest of any Grantor Shareholder in (including in the income or principal of) the Trust except in connection with the simultaneous Transfer to the same transferee of the underlying Grantor Shares held by such Grantor Shareholder, and any such prohibited Transfer is void *ab initio*. The beneficial interests in the Trust may be Transferred only in connection with the transfer of the underlying Grantor Shares held by such Grantor Shareholder, and in connection with any such underlying Transfer of Grantor Shares by a Grantor Shareholder, the corresponding beneficial interests in the Trust held by such Grantor Shareholder shall, automatically and without any action required of any person or entity, be Transferred to such transferee of Grantor Shares. Grantor Shares while held by Grantor or any of its subsidiaries shall have no beneficial interests in the Trust.

(b) Notwithstanding anything herein to the contrary, each Grantor Shareholder’s rights to receive Trust Shares in a Trust Distribution, if any, will be conclusively established by such Grantor Shareholder’s ownership of Grantor Shares as of the Record Date for such Trust Distribution as reflected in the books and records of Grantor; in no event shall any Grantor Shareholder have any right (i) to the Trust Shares except in connection with a Trust Distribution or by participating in an Exchange Offer or (ii) to enforce any term or provision of this Agreement against ITC. In the event, under the terms and subject to the conditions of this Agreement, a Trust Distribution was required to occur but such Trust Distribution failed to occur, the right to enforce any term or provision of this Agreement shall not arise until after the last date by which a Trust Distribution was required to occur; provided however, that the sole remedy in such case shall be to cause the Trustee to effectuate such Trust Distribution in accordance with the terms and conditions of this Agreement to the extent possible.

(c) Each Grantor Shareholder’s ability to receive Trust Shares in an Exchange Offer shall be according to the terms and conditions of such Exchange Offer.

Section 2.8 Effectiveness of the Agreement. This Agreement shall be effective upon the Distribution Date (the “Trust Effective Time”).

Section 2.9 Income.

(a) To the extent the Trust earns income, other than any Dividend Proceeds as described in Section 2.9(b) (“Trust Income”), the Trust shall be entitled to receive and shall hold such Trust Income in trust hereunder and to elect, in the Trustee’s sole discretion, to either (i) donate such Trust Income to a Qualified Charity selected by the Trustee in its sole discretion or (ii) hold such Trust Income for the benefit of Grantor and distribute such Trust Income to Grantor upon termination of the Trust. Regardless of whether or not Trust Income has been received by the Trust, the Trustee shall make and notify Grantor of the Trustee’s election within 30 days after the Trust Effective Time and such election shall apply to all Trust Income received by the Trust.

(b) To the extent ITC declares and pays any dividends on shares of ITC Common Stock while the Trust is the holder of record of the Trust Shares on the record date for any such dividend (together with any interest income incurred on such dividends (if any), “Dividend Proceeds”), the Trust shall be entitled to receive and shall hold such Dividend Proceeds in trust hereunder and to elect, in the Trustee’s sole discretion, to either (i) donate such Dividend Proceeds to a Qualified Charity selected by the Trustee in its sole discretion or (ii) hold such Dividend Proceeds for the benefit of the Grantor Shareholders and distribute such Dividend Proceeds in connection with any Exchange Offer or Trust Distribution as set forth in Section 2.9(c). Regardless of whether or not Dividend Proceeds have been received by the Trust, the Trustee shall make and notify Grantor of the Trustee’s election within 30 days after the Trust Effective Time and such election shall apply to all Dividend Proceeds received by the Trust.

(c) If the Trustee elects pursuant to Section 2.9(b)(ii) to hold Dividend Proceeds for the benefit of Grantor Shareholders, in the event of an Exchange Offer, at the Exchange Offer Closing each participating Grantor Shareholder shall receive from the Trust a portion of the aggregate Dividend Proceeds on a pro rata basis in an amount equal to the aggregate Dividend Proceeds multiplied by a fraction, the numerator of which is the number of Trust Shares such Grantor Shareholder will receive in such Exchange Offer and the denominator of which is the total number of Trust Shares held by the Trust (it being understood that if not all of the Trust Shares are exchanged in such Exchange Offer that the Trust shall retain, for distribution in any Trust Distribution, any remaining Dividend Proceeds); provided, however, that no Grantor Shareholder shall be entitled to receive any Dividend Proceeds if the aggregate amount of such Dividend Proceeds payable on all of the Grantor Shares held by such Grantor Shareholder is less than \$0.01 (a “De Minimis Dividend”). In the event of any Trust Distribution, each participating Grantor Shareholder on the Record Date shall receive a portion of the remaining Dividend Proceeds on a pro rata basis based on the total number of Grantor Shares held by such Grantor Shareholder on the Record Date; provided, however, that no Grantor Shareholder shall be entitled to receive any Dividend Proceeds if the aggregate amount of such Dividend Proceeds payable on all of the Grantor Shares held by such Grantor Shareholder is less than a De Minimis Dividend. Upon completion of any Trust Distribution, the Trustee shall promptly donate the aggregate amount of De Minimis Dividends to a Qualified Charity selected by the Trustee in its sole discretion.

(d) While held by the Trust, Dividend Proceeds and Trust Income shall be maintained in separate accounts and shall not be commingled with the other.

(e) All income of the Trust shall be taxable to Grantor.

ARTICLE III

ADMINISTRATION OF THE TRUST

Section 3.1 Voting.

(a) The Trustee shall hold the Trust Units and, following the Effective Time, the Trust Shares received in connection with the Trust Units under the terms and conditions of this Agreement. The Trustee shall, and is hereby fully and exclusively empowered, authorized and obligated to, execute and deliver an irrevocable proxy in the form attached hereto as Exhibit A, granting the proxy or proxies named therein to cause the Trust Units or Trust Shares, as the case may be, to be present at each meeting of holders of Trust Units or shareholders of ITC, as the case may be, and voted or consented, for the term of this Agreement, in the same proportion as all voting securities of TransCo or ITC, as applicable, other than the Trust Units or the Trust Shares, as the case may be, are voted or consented in respect of any and all matters on which such Trust Units or Trust Shares, as the case may be, are entitled to vote under the limited liability company agreement of TransCo or the articles of incorporation of ITC, as the case may be, or applicable Law, including the election of directors, any merger or consolidation, the sale of all or substantially all of TransCo or ITC's assets, as the case may be, a dissolution of TransCo or ITC, as the case may be, and any amendments to TransCo's certificate of formation or limited liability company agreement or ITC's articles of incorporation, as the case may be. TransCo or ITC, as the case may be, shall deliver written notice to the Trustee of any such matters on which the Trust Units or Trust Shares are entitled to vote. The Trustee shall not vote the Trust Units or Trust Shares or enter into any agreement in respect of voting the Trust Units or Trust Shares with any person other than through this Agreement and the proxy attached hereto as Exhibit A. The Trustee (i) shall have the right to waive notice of any meeting of TransCo Common Unit holders of TransCo or stockholders of ITC in respect of such Trust Units or Trust Shares, as the case may be, and (ii) may exercise any power or perform any act hereunder by an agent or attorney duly authorized and appointed by it.

(b) Except as expressly provided in Section 1.08 of the Merger Agreement, for so long as the Trust holds any Trust Units or Trust Shares, Grantor shall not, and shall cause its Affiliates to not, take any actions with the intent of directly or indirectly influencing the vote of the holders of TransCo Common Units or shares of ITC common stock on any matters on which such unit holders or stockholders, as applicable, are entitled to vote.

Section 3.2 Regulatory Filings. As directed in writing by Grantor or ITC, the Trustee shall make all required filings with any regulatory agencies, including any statements with the SEC containing the information required by Schedules 13D or 13G, as applicable, any filings with the SEC required by Section 16 of the Securities Exchange Act of 1934, as amended, and any filings with any other federal or state regulatory agency. In the event of any conflicting

direction by Grantor or ITC pursuant to this Section 3.2, Grantor's direction shall control. The Trustee shall provide a reasonable opportunity for Grantor and ITC to review and comment on any such filings prior to submission of such filings. Notwithstanding the foregoing, the Trustee shall not be required to make any filings or include information in such filings that it deems in its reasonable judgment to be inconsistent with or in violation of applicable Law.

Section 3.3 Access to Certain Documentation. Subject to Section 8.18, the Trustee shall provide to any federal, state or local or self-regulatory authority that may exercise authority over Grantor or ITC (or any of their Affiliates) access to the documentation regarding this Agreement, the Trust Units and Trust Shares required by applicable Law or requested by such authority. Such access shall be afforded only during normal business hours at the offices of the Trustee designated by it. The Trustee shall promptly provide notice to Grantor and ITC of any request that it receives for access to the documentation regarding the Trust Units and Trust Shares from any such authority.

ARTICLE IV

TRANSFER TO TRUST, EXCHANGE OFFERS AND DISTRIBUTIONS

Section 4.1 Transfer to Trust.

(a) Grantor shall contribute the Trust Units to the Trust on the Closing Date and prior to the Effective Time. Grantor represents that, in the event the record date for any regular or special meeting or written consent of the holders of TransCo Common Units were to fall in the period between the Distribution Date and the Effective Time, Grantor would vote or consent the Trust Units in the same proportion as all other TransCo Common Units are voted or consented.

(b) Subject to the terms and conditions of this Agreement, each of the Trustee and Grantor shall take all actions required of it under this Agreement necessary to effectuate a Mandatory Distribution if any Trust Shares remain in the Trust on the twentieth Business Day prior to the date that is six months following the Trust Effective Time (the "Trust Expiration Date"); provided, however, that if on such date an Exchange Offer is currently being conducted and is reasonably expected to be consummated prior to the Trust Expiration Date, nothing in the foregoing shall require Grantor or the Trustee to terminate such Exchange Offer; provided, further, that, notwithstanding the foregoing, if such Exchange Offer does not close due to the failure of the Offer Conditions to be satisfied on the anticipated Exchange Offer Closing Date (or if such Exchange Offer is terminated by Grantor pursuant to Section 4.3(e) within twenty (20) Business Days of the then in effect Trust Expiration Date), then the Exchange Offer shall be terminated and, in order to permit a Mandatory Distribution pursuant to Section 4.4, the then in effect Trust Expiration Date shall be extended twenty (20) Business Days from the date such Exchange Offer is terminated. If a Demand Suspension (as defined in the Registration Rights Agreement) occurs (or continues to occur) within 60 days of the Trust Expiration Date, the Trust Expiration Date shall be extended until 60 days after such Demand Suspension has been terminated.

Section 4.2 No Transfer. The Trustee shall be the legal owner of the Trust Units and, following the Effective Time, the Trust Shares and shall not have the authority to, and shall not, Transfer, or direct the Transfer of, any of the Trust Shares except pursuant to Section 4.3, Section 4.4, Section 4.5 or Section 4.6 or as otherwise provided hereunder. Any such prohibited Transfer shall be void *ab initio*, and ITC shall not record on its books any such prohibited Transfer. For the avoidance of doubt, in no event shall the Trustee Transfer any Trust Shares to Grantor or to any Affiliate of Grantor (except for any Affiliate of the Grantor who otherwise receives shares as a Grantor Shareholder in any Trust Distribution or as a participant in any Exchange Offer). All Trust Units and, following the Effective Time, Trust Shares, if certificated, shall bear the following legend prior to the date they are exchanged or distributed in connection with any Exchange Offer or Trust Distribution, as the case may be (or, if uncertificated, should bear similar notations in TransCo's or ITC's, as applicable, equity transfer ledgers):

The sale or other transfer of the [shares of stock][units] represented by this certificate, whether voluntary, involuntary or by operation of law, is subject to certain restrictions on transfer set forth in the Trust Agreement (the "Trust Agreement"), dated [,], by and among Entergy Corporation, ITC Holdings Corp., [Mid South TransCo LLC] and []. A copy of the Trust Agreement may be obtained from the Secretary of ITC Holdings Corp.

Section 4.3 Trust Exchange Offers.

(a) Upon written notice from Grantor, the Trustee shall use reasonable best efforts to promptly commence (within the meaning of Rule 14d-2 under the Exchange Act) an Exchange Offer in accordance with and subject to the conditions of this Agreement and the Registration Rights Agreement (including, without limitation, the satisfaction by ITC of its obligations under Section 4 of the Registration Rights Agreement that are to be satisfied at or prior to commencement of an Exchange Offer). In connection with any Exchange Offer, the obligations of the Trustee to accept for payment any Grantor Shares validly tendered and not properly withdrawn on or prior to the expiration of the Exchange Offer shall be subject to the conditions set forth in Annex I to this Agreement (the "Offer Conditions"). Except as provided in Section 4.3(f), the Offer Conditions may not be waived by the Trustee or Grantor. Subject to the Offer Conditions, the Trustee shall, in accordance with the irrevocable terms of the Exchange Offer set forth in Annex II to this Agreement (the "Irrevocable Terms"), consummate the Exchange Offer and accept for payment at the closing of any Exchange Offer (the "Exchange Offer Closing") all Grantor Shares validly tendered and not withdrawn pursuant to the Exchange Offer and promptly deliver to each tendering Grantor Shareholder the number of Trust Shares such tendering Grantor Shareholder is entitled to pursuant to Section 4.3(c). The Exchange Offer shall initially be scheduled to expire at midnight, New York City time, on the 20th Business Day (calculated as set forth in Rule 14d-1(g)(3) under the Exchange Act) following the commencement of the Exchange Offer; provided, however, that if on the scheduled expiration date of the Exchange Offer or any subsequent scheduled expiration date of the Exchange Offer (as extended in accordance with this Agreement) all conditions to the Exchange Offer shall not have been satisfied, the Trustee shall extend the Exchange Offer for one or more periods of time of up to 10 Business Days each as the Trustee may determine in order to permit the satisfaction of the Offer Conditions. In no event shall the Trustee extend the Exchange Offer past the Trust Expiration Date. Subject to the conditions of this Agreement, Grantor and the Trustee each shall

take all necessary action to facilitate an Exchange Offer and, if not otherwise terminated as provided herein, to cause the Exchange Offer Closing to occur promptly (and, in no event later than three trading days following the expiration of the Exchange Offer period).

(b) Subject to Section 4.3(c) below, each tendering Grantor Shareholder shall be entitled at the Exchange Offer Closing to a number of Trust Shares equal to the product of (x) the number of Grantor Shares validly tendered by such Grantor Shareholder and not properly withdrawn and accepted in the Exchange Offer and (y), the lesser of, (A) a fraction, the numerator of which shall be the simple arithmetic average of the daily VWAP of Grantor Shares over the Averaging Period, and the denominator of which shall be the product of (1) the simple arithmetic average of the daily VWAP of ITC Common Stock over the Averaging Period and (2) the difference of one (1) minus the Discount (such fraction, the “Exchange Ratio”) or (B) the upper limit exchange ratio set forth in Annex II (the “Upper Limit”). In no event shall the Exchange Ratio exceed the Upper Limit. Throughout the Exchange Offer period, the Trustee shall calculate the Exchange Ratio at the close of trading each trading day. The Trustee shall provide a toll free number that Grantor Shareholders can use to obtain daily indicative Exchange Ratios calculated as of the close of the preceding trading day and, after determination of the final Exchange Ratio, the final Exchange Ratio. No later than 9:30 a.m. on the day after the Averaging Period, Grantor will publish the final Exchange Ratio (including an announcement whether the limit on the Exchange Ratio described above is in effect) in a press release and Grantor and the Trustee will include such information in an amendment to the Schedule TO. In addition to the foregoing, the Trustee will disclose in the applicable Offer Documents the dollar amount of Trust Shares to be exchanged for each \$1.00 of Grantor Shares tendered and accepted in the Exchange Offer based on the Discount, subject to the Upper Limit. For purposes of this Agreement, (i) “Averaging Period” shall mean the three day period ending on and including the second trading day preceding the expiration date of the Exchange Offer (as it may be extended pursuant to this Agreement); (ii) “VWAP” shall mean the daily volume weighted average pricing of the applicable stock on the New York Stock Exchange beginning at 9:30 a.m., New York City time (or the then-official open of trading) and ending at 4:00 p.m., New York City time (or the then-official close of trading), in each case as calculated by the Trustee and (iii) “Discount” shall mean the percentage set forth on Annex II. All calculations of the Exchange Ratio shall be made to four (4) decimal places.

(c) If, upon the expiration of the Exchange Offer, Grantor Shareholders have validly tendered more Grantor Shares than the amount of Trust Shares held by the Trust that can be exchanged based on the Exchange Ratio (or, if applicable, the Upper Limit), the Trustee will accept for exchange the Grantor Shares validly tendered and not withdrawn by each tendering Grantor Shareholder on a pro rata basis (other than with respect to odd-lot tenders). The Trustee shall calculate a “Proration Factor,” which shall equal (i) the total number of Grantor Shares that the Trustee is able to accept (taking into account the Exchange Ratio (or, if applicable, the Upper Limit) and the total number of Trust Shares) divided by (ii) the total number of Grantor Shares validly tendered and not withdrawn (in all cases after adjustment for off-lot tenders that are not subject to proration). Any Grantor Shareholder of less than 100 Grantor Shares who validly tenders all of its Grantor Shares and elects not to be subject to proration shall have all of its Grantor Shares exchanged. Each other Grantor Shareholder shall have a number of Grantor Shares exchanged equal to the product of (x) the number of Grantor Shares validly tendered and not withdrawn and (y) the Proration Factor.

(d) On the date an Exchange Offer is commenced, Grantor and Trustee shall file with the SEC a Tender Offer Statement on Schedule TO (or, if based upon the advice of their respective counsel, the Exchange Offer is not subject to Rule 13e-4 or Regulation 14D of the Exchange Act, a disclosure document containing substantially the same information required in a Schedule TO) (such document, the “Schedule TO”) with respect to the Exchange Offer, which shall include the offer to exchange prospectus in the registration statement filed by ITC pursuant to the Registration Rights Agreement and form of the letter of transmittal and any other documents that Grantor and/or the Trustee reasonably determined are necessary or advisable in connection with the Exchange Offer (collectively, together with any amendments and supplements thereto, the “Offer Documents”). Subject to ITC’s compliance with its requirements under the Registration Rights Agreement, the Trustee and Grantor shall cause the Offer Documents to be disseminated to Grantor Shareholders as required by applicable U.S. federal securities laws. Each of Grantor and ITC (if applicable under the Registration Rights Agreement) and Trustee, to the extent explicitly provided in writing by Trustee for use in the Offer Documents, agree to promptly correct any information provided by it for use in the Offer Documents if it shall have become false or misleading in any material respect or as otherwise required by applicable Law. Each of the Trustee, Grantor and ITC (if applicable under the Registration Rights Agreement) agree to take all steps necessary to cause the Offer Documents as so corrected to be filed with the SEC and each of the Trustee and Grantor agree to disseminate such corrected Offer Documents to Grantor Shareholders to the extent required by applicable Law.

(e) Subject to Section 4.1(b), prior to the end of the Exchange Offer period, the Trustee shall have the right to terminate or delay any Exchange Offer if the Trustee believes such termination or delay is reasonably necessary to prevent any violation of applicable Law (including, without limitation, Rule 13e-4, Regulation 14D and Regulation 14E of the Exchange Act) in any material respect. Prior to the end of the Exchange Offer period, Grantor shall have the right to direct the Trustee in writing to terminate any Exchange Offer if Grantor reasonably believes that any Offer Condition is not reasonably likely to be satisfied within a reasonable time period.

(f) In response to any SEC comment letter or in connection with any other communications with the staff of the SEC, the Grantor shall have the right to direct the Trustee to modify, amend or supplement the procedures in this Section 4.3 to the extent reasonably necessary to comply or respond to such comments or communications, or take any other action in connection with the foregoing reasonably necessary to ensure that the Exchange Offer complies in all material respects with applicable Law (including, without limitation, Rule 13e-4, Regulation 14D and Regulation 14E of the Exchange Act); provided that nothing in this Section 4.3(f) shall be construed to permit the Trustee to modify, amend or waive any Irrevocable Term or any Offer Condition (except the Grantor shall have the right to direct the Trustee to modify, amend or remove an Offer Condition in response to any such letter or communications but only to the extent reasonably necessary to comply with or respond to such letter or communications to ensure that the Exchange Offer complies in all material respects with applicable law (including, without limitation, Rule 13e-4, Regulation 14D and Regulation 14E of the Exchange Act)).

(g) Subject to Section 4.1(b), in the event any Exchange Offer is delayed or terminated by the Trustee prior to the Exchange Offer Closing pursuant to Section 4.3(e),

Grantor may cause the Trustee to commence or re-commence an Exchange Offer; provided that in the event of any such delay or termination, the Exchange Offer shall nevertheless be completed prior to the Trust Expiration Date.

(h) In connection with any Exchange Offer Closing, the Trustee shall deliver notice to ITC setting forth (i) the number of Trust Shares to be transferred in connection with such Exchange Offer and (ii) any instructions with respect to the transfer of such Trust Shares and the Trustee shall take all action necessary to facilitate the exchange of such Trust Shares with validly accepted Grantor Shares. ITC shall use commercially reasonable efforts to cause its stock transfer agent to deliver, or authorize the transfer of, any Trust Shares to the Exchange Agent in connection with any Exchange Offer Closing.

(i) All Grantor Shares tendered by Grantor Shareholders in any Exchange Offer shall be delivered to the Trustee by the Exchange Agent. Promptly thereafter, the Trust shall deliver to Grantor, without any right of offset, such Grantor Shares and such Grantor Shares shall be retired or used as treasury shares, as determined by Grantor. The Trustee, as trustee of the Trust, shall have no beneficial interest in any such Grantor Shares.

(j) Each tendering Grantor Shareholder who, after aggregating the number of Trust Shares (or fractions thereof) to which such Grantor Shareholder otherwise would be entitled to at the Exchange Offer Closing, would receive a fraction of a Trust Share in the Exchange Offer will receive cash in lieu of fractional shares from the Exchange Agent. Fractional Trust Shares will not be delivered in an Exchange Offer or credited to book-entry accounts. The Exchange Agent shall, as soon as practicable after an Exchange Offer, and in compliance with applicable federal securities laws, (i) aggregate all such fractional shares into whole shares and sell whole shares obtained thereby in open market transactions at then prevailing trading prices on behalf of all tendering Grantor Shareholders who would otherwise be entitled to fractional share interests, and (ii) distribute to each such Grantor Shareholder such Grantor Shareholder's ratable share of the net proceeds of such sale, based upon the average gross selling price per Trust Share after making appropriate deductions for any amount required to be withheld for United States federal income tax purposes. Grantor shall bear the cost of brokerage fees and transfer taxes (if any) incurred in connection with these sales of fractional shares, which sales shall occur as soon after the Exchange Offer Closing as practicable and as determined by the Exchange Agent. None of Grantor, ITC, the Trustee or the Exchange Agent will guarantee any minimum sale price for the fractional Trust Shares. None of Grantor, ITC, the Trustee or the Exchange Agent will pay any interest on proceeds from the sale of fractional Trust Shares. The Exchange Agent shall have the sole discretion to select the broker-dealers through which to sell the aggregated fractional Trust Shares and to determine when, how and at what price to sell such shares. Neither the Exchange Agent nor the selected broker-dealer shall be Affiliates of Grantor or ITC. Notwithstanding the foregoing, in no event shall any Grantor Shareholder have any right to any cash in lieu of fractional Trust Shares if the aggregate amount of all such cash such Grantor Shareholder is entitled to is less than \$0.01 (an "Exchange Offer De Minimis Payment"). Upon completion of any Exchange Offer, the Trustee shall promptly donate the aggregate amount of Exchange Offer De Minimis Payments to a Qualified Charity selected by the Trustee in its sole discretion.

(k) Upon the completion of the Exchange Offer Closing, any Trust Shares that are not subscribed for in the Exchange Offer must be distributed to Grantor Shareholders in a Trust Distribution (the “Exchange Offer Distribution”). Subject to applicable Law, the Exchange Offer Trust Distribution shall take place on the date of the Exchange Offer Closing, or as immediately practicable thereafter (such date, the “Exchange Offer Distribution Date”) pursuant to the provisions of Section 4.6. The Record Date for the Exchange Offer Trust Distribution shall be the date of the Exchange Offer Closing immediately following the time at which the validly tendered shares of Grantor Shares are accepted for payment in the Exchange Offer.

(l) If Grantor terminates any Exchange Offer pursuant to Section 4.3(e), the Trustee shall distribute any Trust Shares held in the Trust to Grantor Shareholders in a Trust Distribution (the “Accelerated Trust Distribution”). Subject to any applicable Law, the Accelerated Trust Distribution shall take place on a date prior to the Trust Expiration Date as determined by Grantor, (such date, the “Accelerated Trust Distribution Date”) pursuant to the provisions of Section 4.6, but subject to the provisions below. The Record Date for the Accelerated Trust Distribution shall be the date determined by Grantor; provided that the record date for the Accelerated Trust Distribution shall be the first Business Day that is ten (10) calendar days prior to the Accelerated Trust Distribution Date; and provided, further, that Grantor must provide at least ten (10) calendar days’ notice to the Trustee and ITC prior to such record date and that such record date must be (i) on a day the NYSE is open for trading and (ii) between twenty (20) Business Days and ten (10) calendar days prior to the Accelerated Trust Distribution Date. The Trustee’s obligation to facilitate such Accelerated Trust Distribution shall be subject to the delivery of an officer’s certificate from Grantor to the Trustee certifying that, prior to the Accelerated Trust Distribution Date of such Accelerated Trust Distribution, the following conditions have been satisfied:

(i) an information statement that materially complies with SEC Staff Legal Bulletin #4 4.B.3.b. (an “Information Statement”) shall have been delivered by Grantor to the Grantor Shareholders (or, if the distribution of Trust Shares in the Accelerated Trust Distribution is required to be registered under the Securities Act, a registration statement of ITC has been filed and declared effective with respect to the Trust Shares as provided for under Section 2(b) of the Registration Rights Agreement); and

(ii) if required by the NYSE, an NYSE Additional Listing Application shall have been approved by the NYSE.

Section 4.4 Mandatory Distribution.

(a) In the event the Trust will hold any Trust Shares at the Trust Expiration Date, irrespective of whether the Trustee has completed an Exchange Offer, the Trustee shall, in accordance with Section 4.6, take all necessary action to facilitate a distribution on or before the Mandatory Distribution Date of all of the Trust Shares held in the Trust to the Grantor Shareholders of record as of the close of business on the Mandatory Record Date (such distribution, a “Mandatory Distribution”).

(b) The Trustee's obligation to facilitate such Mandatory Distribution shall be subject to the delivery of an officer's certificate from Grantor to the Trustee certifying that, prior to the Mandatory Distribution Date of such Mandatory Distribution, the following conditions have been satisfied:

(i) an Information Statement shall have been delivered by Grantor to the Grantor Shareholders (or, if the distribution of Trust Shares in the Mandatory Distribution is required to be registered under the Securities Act, a registration statement of ITC has been filed and declared effective with respect to the Trust Shares as provided for under Section 2(b) of the Registration Rights Agreement); and

(ii) if required by the NYSE, an NYSE Additional Listing Application shall have been approved by the NYSE.

(c) The distribution date for the Mandatory Distribution shall be the Trust Expiration Date (the "Mandatory Distribution Date") and the record date for the Mandatory Distribution shall be the first Business Day that is ten (10) calendar days prior to the Trust Expiration Date (the "Mandatory Record Date"); provided, however, that the Grantor has the sole discretion to fix an earlier record date and distribution date for the Mandatory Distribution; provided, further, however, that Grantor must provide at least ten (10) calendar days' notice to the Trustee and ITC prior to such record date and that such record date must be (i) on a day the NYSE is open for trading and (ii) between twenty (20) Business Days and ten (10) calendar days prior to the Trust Expiration Date.

Section 4.5 Merger Event Distribution.

(a) In the event the Trust holds any Trust Shares on a date that is one day prior to either Grantor or ITC effecting a Merger Event, irrespective of whether Grantor has completed an Exchange Offer, the Trustee shall in accordance with Section 4.6 take all necessary action to facilitate a distribution on the Merger Event Distribution Date of all of the Trust Shares held by the Trust to the Grantor Shareholders of record on the Merger Event Record Date at the direction of Grantor (such direction not to be withheld) or the Distribution Agent (such distribution, a "Merger Event Distribution").

(b) For so long as the Trust holds any Trust Shares (but for clarification, not after the Trust Expiration Date), neither Grantor nor ITC may effect a Merger Event unless the following conditions have been satisfied:

(i) if either Grantor or ITC agrees to effect a Merger Event, Grantor or ITC, as the case may be, shall have provided notice to the other parties hereto of: (A) entry into a definitive agreement to effectuate a Merger Event, such notice to be provided immediately upon execution thereof (an "Initial Notice") and (B) the anticipated Merger Event Distribution Date, such notice to be provided (1) at least forty-five (45) calendar days after the delivery of the Initial Notice and (2) at least forty-five (45) calendar days prior to, and within fifty-five (55) calendar days of, such Merger Event Distribution Date;

(ii) an Information Statement shall have been delivered to the Grantor Shareholders (or, if the distribution of Trust Shares in the Merger Event Distribution is required to be registered under the Securities Act, a registration statement of ITC has been filed and declared effective with respect to the Trust Shares as provided for under Section 2(b) of the Registration Rights Agreement); and

(iii) if required by the NYSE, an NYSE Subsequent Listing Application shall have been approved by the NYSE.

(c) The distribution date for a Merger Event Distribution shall be no later than the date that is one (1) calendar day prior to the Merger Event (a “Merger Event Distribution Date”) and the record date for a Merger Event Distribution shall be no later than the first Business Day that is ten (10) calendar days prior to the Merger Event (a “Merger Event Record Date”).

Section 4.6 Distribution of Shares.

(a) As directed in writing by Grantor (such direction not to be withheld), on or prior to a Trust Distribution Date, the Trustee shall direct ITC’s stock transfer agent to deliver, or otherwise authorize the transfer of, all of the Trust Shares to be distributed by the Trust to the Distribution Agent, and the Trustee shall authorize the Distribution Agent to distribute, on or as soon as practicable following the Trust Distribution Date, such Trust Shares to the Grantor Shareholders of record on the Record Date.

(b) Each Grantor Shareholder of record on the Record Date will be entitled to receive in a Trust Distribution a number of Trust Shares, subject to Section 4.6(c), equal to the product of (i) the number of Trust Shares to be distributed by the Trust multiplied by (ii) a fraction, the numerator of which is the number of Grantor Shares held of record by such Grantor Shareholder on the Record Date and the denominator of which is the number of Grantor Shares outstanding on the Record Date.

(c) Each Grantor Shareholder of record who, after aggregating the number of Trust Shares (or fractions thereof) to which such Grantor Shareholder otherwise would be entitled on the Record Date, would be entitled to receive a fraction of a Trust Share in the Trust Distribution will receive cash in lieu of fractional shares from the Distribution Agent. Fractional Trust Shares will not be distributed in a Trust Distribution nor credited to book-entry accounts. The Distribution Agent shall, as soon as practicable after a Trust Distribution Date, (i) aggregate all such fractional shares into whole shares and sell whole shares obtained thereby in open market transactions at then prevailing trading prices on behalf of Grantor Shareholders who would otherwise be entitled to fractional share interests, and (ii) distribute to each such record Grantor Shareholder such Grantor Shareholder’s ratable share of the net proceeds of such sale, based upon the average gross selling price per Trust Share after making appropriate deductions for any amount required to be withheld for United States federal income tax purposes. Grantor shall bear the cost of brokerage fees and transfer taxes (if any) incurred in connection with these sales of fractional shares, which sales shall occur as soon after the Trust Distribution Date as practicable and as determined by the Distribution Agent. None of Grantor, ITC, the Trustee or the Distribution Agent will guarantee any minimum sale price for the fractional Trust Shares.

None of Grantor, ITC or the Trustee will pay any interest on proceeds from the sale of fractional Trust Shares. The Distribution Agent shall have the sole discretion to select the broker-dealers through which to sell the aggregated fractional Trust Shares and to determine when, how and at what price to sell such shares. Neither the Distribution Agent nor the selected broker-dealer shall be Affiliates of Grantor or ITC. Notwithstanding the foregoing, in no event shall any Grantor Shareholder have any right to any cash in lieu of fractional Trust Shares if the aggregate amount of all such cash such Grantor Shareholder is entitled to is less than \$0.01 (the “Distribution De Minimis Payment”). Upon completion of any Trust Distribution, the Trustee shall promptly donate the aggregate amount of Distribution De Minimis Payments to a Qualified Charity selected by the Trustee in its sole discretion.

(d) Grantor, ITC and the Trustee, as the case may be, shall provide the Distribution Agent any information reasonably required in order to complete the Trust Distributions on the basis specified above.

(e) Notwithstanding anything to the contrary in this Agreement, the Trustee shall not be required to effectuate a Trust Distribution that is in violation of applicable Law.

Section 4.7 Trustee Cooperation. In the event of an Exchange Offer or Trust Distribution, the Trustee shall use commercially reasonable efforts to cooperate with Grantor or ITC, as the case may be, as requested thereby, in connection with the preparation of any registration statement (including the prospectus contained therein) or Information Statement or any amendments or supplements thereto related to the Trust Shares or the Trustee in its capacity as trustee of the Trust. For the avoidance of doubt, any expenses incurred by the Trustee in connection with this Section 4.7 shall be reimbursed in accordance with Section 7.1.

Section 4.8 Right to Specific Performance. Each of the parties understands and agrees that the agreements on each of their parts herein contained are uniquely related to the desire of the parties and their respective Affiliates to consummate the transactions contemplated by this Agreement and further agrees that irreparable damage would occur in the event that any provision of this Agreement were not performed in accordance with its specific terms and further agrees that, although monetary damages may be available for the breach of such covenants and agreements, monetary damages would be an inadequate remedy therefor. It is accordingly agreed that, in addition to any other remedy that may be available to it, including monetary damages, each of the parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Each of the parties further agrees that no party to this Agreement shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 4.8 and each of the parties waives any objection to the imposition of such relief or any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument.

Section 4.9 Tax Reporting. The Trust is intended to be treated for federal income tax purposes as a “grantor trust” (as described in Sections 671-677 of the Internal Revenue Code)

with respect to the Grantor. In accordance with Section 671 of the Internal Revenue Code, the Grantor shall include in computing its taxable income and credits all items of income, deductions, and credits against tax of the Trust. Unless applicable law requires otherwise, the parties to this Agreement hereby agree to treat the Trust and the Grantor in such a manner, including for purposes of any securities filings and tax returns. If a return is required to be filed with respect to the Trust and its assets, the Trustee shall be responsible for timely preparation and filing of Form 1041, "U.S. Income Tax Return for Estates and Trusts," for each taxable year of the Trust and any required state or local tax returns, and the Trustee shall provide the Grantor the opportunity to review the Trust returns prior to filing. The Trustee shall not be responsible for the preparation or filing of any tax forms of any Grantor Shareholder in connection with a Trust Distribution or Exchange Offer.

ARTICLE V

COVENANTS AND RESTRICTIONS

Section 5.1 Tender or Exchange Offer. In no event shall the Trustee tender any of the Trust Shares into any tender offer or exchange offer for shares of ITC common stock (other than the Exchange Offer).

Section 5.2 Further Assurances by Grantor and ITC. In addition to and without limiting the actions specifically provided for elsewhere in this Agreement, each of Grantor and ITC shall reasonably cooperate with the Trustee and use (and will cause its Affiliates to use) commercially reasonable efforts, prior to, on and after the Closing, to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things reasonably necessary on its part under applicable Law or contractual obligations to consummate and make effective the transactions contemplated by this Agreement; provided, that, in no event shall ITC or Grantor or any of their respective Affiliates be required to take any action pursuant to this Section 5.2 that ITC or Grantor (as applicable) reasonably believes would have any adverse consequence to itself, its Affiliates or any of their respective equity holders.

ARTICLE VI

TERMINATION

Section 6.1 Termination.

(a) This Agreement shall terminate upon the time and date on which the Trust no longer holds any Trust Shares. Notwithstanding the foregoing, in the event the transactions contemplated in the Merger Agreement are abandoned or terminated or the Merger Agreement is terminated prior to the Closing, this Agreement shall terminate without further action by any of the parties hereto and any property held by the Trustee shall be promptly distributed as directed by Grantor.

(b) Prior to the Closing Date, Grantor shall have the right at any time to terminate this Agreement in its sole discretion by written notice to the other parties hereto and any property held by the Trustee shall be promptly distributed to Grantor.

Section 6.2 Survival. The provisions of Section 7.1, Section 7.3, Section 7.4, Section 8.15, Section 8.16 and Section 8.17 shall survive the termination of this Agreement and the earlier resignation or removal of the Trustee.

ARTICLE VII

CONCERNING THE TRUSTEE

Section 7.1 Compensation of Trustee. The Trustee shall be entitled to payment from the Trust for customary fees for all services rendered by it hereunder as set forth on Schedule II attached hereto. Prior to the Closing, Grantor shall contribute to the Trust the “Expense Pre-Funded Amount” set forth on Schedule II to cover any such fees and any loss, liability, damage, disbursements, advances or expenses reasonably paid or incurred by it in the administration of its duties hereunder, including, but not limited to, all reasonable counsel, advisors’ and agents’ fees and disbursements (including, without limitation, to any dealer manager, information agent, exchange agent, or distribution agent retained in accordance with this Agreement or the Registration Rights Agreement) and all taxes or other governmental charges. If, after the Trust Expiration Date, any Expense Pre-Funded Amount remains, the Trustee, in its sole discretion, will contribute such amount to Grantor or to a Qualified Charity selected by the Trustee in its sole discretion; provided that the Trustee shall provide a final accounting to Grantor for the Expense Pre-Funded Amount prior to distributing any remainder.

Section 7.2 Resignation of Trustee. The Trustee may resign and be discharged from its duties hereunder at any time by giving ninety (90) calendar days’ prior written notice of such resignation to Grantor (with a copy to ITC). Grantor with the written consent of ITC, not to be unreasonably withheld or delayed, may remove the Trustee at any time by giving ninety (90) calendar days’ prior written notice to the Trustee. A successor Trustee shall be appointed by Grantor with the written consent of ITC, not to be unreasonably withheld or delayed, who shall provide written notice of such to the resigning or removed Trustee, and the resigning or removed Trustee shall cause the Trust Shares to be transferred to the successor trustee, as trustee of the Trust. Such successor trustee shall become the “Trustee” hereunder upon the resignation or removal date specified in such notice. If Grantor and ITC are unable to agree upon a successor trustee within ninety (90) calendar days after such notice, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee or for other appropriate relief. Upon its resignation and delivery of the Trust Shares as set forth in this Section 7.2, the Trustee shall be discharged from any and all further obligations arising in connection with the Trust Shares or this Agreement, other than for any material breaches of this Agreement occurring prior to such resignation, removal or delivery for which the Trustee would not be entitled to indemnification pursuant to Section 7.3.

Section 7.3 Indemnification of Trustee. Except to the extent caused by the willful misconduct of any Trustee Indemnified Party (as defined below), Grantor shall indemnify,

defend and hold harmless the Trustee and its officers, directors, employees, representatives and agents (each, a “Trustee Indemnified Party”), from and against and reimburse the Trustee for any and all claims, expenses, obligations, liabilities, losses, damages, injuries (to person, property, or natural resources), penalties, stamp or other similar taxes, actions, suits, judgments, reasonable documented costs and expenses (including reasonable documented attorney’s fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Trustee directly or indirectly relating to, or arising from, claims against the Trustee by reason of its participation in the transactions contemplated hereby, including all reasonable documented costs required to be associated with claims for damages to persons or property, and reasonable documented attorneys’ and consultants’ fees and expenses and court costs. The provisions of this Section 7.3 shall survive the termination of this Agreement or the earlier resignation or removal of the Trustee. In no event shall the Trustee be entitled to be indemnified or reimbursed from the assets of the Trust or, except as provided in the Registration Rights Agreement, from ITC and its subsidiaries (including TransCo following the Effective Time).

Section 7.4 Trustee’s Duties, Responsibilities and Rights.

(a) The duties, responsibilities, obligations, rights and powers of the Trustee shall be limited to those expressly set herein, and no duties, responsibilities, obligations or rights or powers (including rights or powers that, absent this provision, would otherwise exist under Title 12 of the Delaware Code or other applicable law), shall be inferred or implied against or in favor of the Trustee. Except in the case of willful misconduct of the Trustee or any Trustee Indemnified Party, the Trustee shall not be required to expend or risk any of its own funds or otherwise incur any liability, financial or otherwise, in the performance of any of its duties hereunder.

(b) To the fullest extent permitted by Section 3303 of Title 12 of the Delaware Code, the Trustee shall not be liable to any person for any action taken or omitted or for any loss or injury resulting from its actions or its performance or lack of performance of its duties hereunder in the absence of willful misconduct on its part or any Trustee Indemnified Party.

(c) The Trustee may consult with legal counsel (internal or external) of its own choosing as to any matter relating to this Agreement, and the Trustee shall not incur any liability in acting in good faith in accordance with any advice from such counsel. Grantor shall reimburse the Trustee for reasonable documented expenses of such counsel; provided, however, that Grantor shall not be obligated to reimburse any fees or expenses in the event of any willful misconduct of the Trustee and, provided, further, that if Grantor does not reimburse the Trustee for such expenses, such expenses shall be payable from the Expense Pre-Funded Amount.

(d) The Trustee shall not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of the Trustee (including but not limited to any act or provision of any present or future Law or governmental authority, any act of God or war, civil unrest, local or national disturbance or disaster or any act of terrorism).

(e) Except in the case of willful misconduct of the Trustee, the Trustee shall be entitled to conclusively rely upon any order, judgment, certification, demand, notice,

instrument or other writing delivered to it hereunder, including any information provided by Grantor or ITC for inclusion in any regulatory filing or Offer Document, without being required to determine the authenticity or the correctness of any fact stated therein or the propriety or validity or the service thereof. Except in the case of willful misconduct of the Trustee, the Trustee may act in conclusive reliance upon any instrument or signature believed by it to be genuine and may assume that any person purporting to give receipt or advice to make any statement or execute any document in connection with the provisions hereof has been duly authorized to do so.

(f) For the purposes of this Agreement, the term “willful misconduct” shall have the meaning ascribed to that term in Section 3301 of Title 12 of the Delaware Code.

(g) In the event of any ambiguity or uncertainty hereunder or in any notice, instruction or other communication received by the Trustee hereunder, the Trustee may, in its sole discretion, refrain from taking any action other than to retain possession of the Trust Shares, unless the Trustee receives written instructions, signed by Grantor, which eliminate such ambiguity or uncertainty.

(h) The Trustee does not have any beneficial interest in the Trust Shares transferred hereunder but is serving as trustee only and has only legal title and possession thereof.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Entire Agreement. Except with respect to the Merger Agreement, the Separation Agreement, the Registration Rights Agreement, and the letter agreement between Grantor and ITC, dated the date hereof in the case of Grantor and ITC, this Agreement embodies the entire agreement and understanding among the parties relating to the subject matter hereof and thereof and shall supersede all prior negotiations, agreements and understandings of the parties of any nature, whether oral or written, with respect to such subject matter.

Section 8.2 Governing Law. The validity, construction and administration of the trust and this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any conflict or choice of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware..

Section 8.3 Consent to Jurisdiction. The parties and each other person bound by this Agreement irrevocably and unconditionally agree that any legal action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by another party hereto or its successors or assigns, shall be brought and determined exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept or does not have jurisdiction over a particular matter, any state or federal court within the State

of Delaware). Each of the parties and each other person bound by this Agreement hereby irrevocably submits with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the aforesaid courts. Each of the parties and each other person bound by this Agreement hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason other than the failure to serve in accordance with this Section 8.3, (b) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by applicable Law, any claim that (i) the suit, action or proceeding in such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

Section 8.4 Waiver of Jury Trial. EACH OF THE PARTIES IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 8.5 Notices. All notices and other communications under this Agreement shall be in writing in English and shall be deemed given when delivered personally, on the next Business Day after delivery by a recognized overnight courier or when sent by facsimile, (which facsimile copy shall be followed, in the case of notices or other communications sent to the Trustee, by delivery of the original) when the sender receives a written fax confirmation thereof, at the following addresses (or to such other address as a party may have specified by notice given to the other parties pursuant to this provision):

If to Grantor, to:

Entergy Corporation
639 Loyola Avenue
New Orleans, LA 70113
Attn: Marcus Brown, Senior Vice President and General Counsel
Facsimile: (504) 576-2977

with a copy to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005
Attn: Pankaj K. Sinha, Esq.; Michael P. Rogan, Esq.
Facsimile: (202) 393-5760

If to ITC, to:

ITC Holdings Corp.
27175 Energy Way
Novi, MI 48377
Attn: Daniel J. Oginsky, Senior Vice President and General Counsel
Facsimile: (248) 946-3562

with a copy to (which shall not constitute notice):

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Attn: Andrew W. Smith, Esq.
Facsimile: (212) 455-2502

If to TransCo, to:

Mid South TransCo LLC
c/o ITC Holdings Corp.
27175 Energy Way
Novi, MI 48377
Attn: Daniel J. Oginsky, Senior Vice President and General Counsel
Facsimile: (248) 946-3562

with a copy to (which shall not constitute notice):

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Attn: Andrew W. Smith, Esq.
Facsimile: (212) 455-2502

If to the Trustee, to:

The Goldman Sachs Trust Company of Delaware
601 Delaware Avenue, 2nd Floor
Wilmington, DE 19801
Facsimile: (212) 493-9045
Attn: Kathleen Kinne

with a copy to (which shall not constitute notice):

Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004-2948
Attn: Glen T. Schleyer, Esq.
Facsimile: (212) 558-3588

Section 8.6 Headings. The headings of the Sections and Articles of this Agreement have been inserted for convenience and shall not modify, define, limit or expand the express provisions of this Agreement.

Section 8.7 Assignment; Successors and Assigns. Except as otherwise expressly provided herein, this Agreement and the rights and obligations hereunder of parties hereto may not be assigned except with the prior written consent of the other parties hereto. This Agreement shall be binding upon and inure to the benefit of each party's respective successors and permitted assigns. Except as otherwise expressly provided herein, no other person shall acquire or have any rights under or by virtue of this Agreement. This Agreement is intended to be for the sole benefit of the parties hereto, and (subject to the provisions of this Section 8.7) their respective successors and assigns, and none of the provisions of this Agreement are intended to be, nor shall they be construed to be, for the benefit of any third person.

Section 8.8 Amendments. This Agreement may not be amended, supplemented or otherwise modified without the prior written consent of the Grantor, the Trustee and ITC; provided, however, in no event shall Section 4.2 (relating to No Transfer), Section 4.4 (relating to Mandatory Distribution), Section 4.5 (relating to Merger Event Distribution), Section 4.6 (relating to Distribution of Shares), Section 4.8 (relating to Right to Specific Performance) and this Section 8.8 be amended. For the avoidance of doubt, the consent of the Grantor Shareholders (in their capacities as such or as Beneficiaries) shall not be required to amend, supplement or otherwise modify this Agreement.

Section 8.9 Waivers. The rights and remedies conferred upon the parties hereto shall be cumulative, and the exercise or waiver of any such right or remedy shall not preclude or inhibit the exercise of any additional rights or remedies. The waiver of any right or remedy hereunder shall not preclude the subsequent exercise of such right or remedy.

Section 8.10 Representations and Warranties of Grantor. Grantor, ITC, TransCo and the Trustee each hereby represents and warrants that this Agreement has been duly authorized, executed and delivered on its behalf and constitutes its legal, valid and binding obligation.

Section 8.11 Severability. The invalidity, illegality or unenforceability of any provision of this Agreement shall in no way affect the validity, legality or enforceability of any other provision; and if any provision is held to be unenforceable as a matter of law, the other provisions shall not be affected thereby and shall remain in full force and effect.

Section 8.12 Authorized Representatives. For purposes of sending and receiving instructions or directions hereunder, all such instructions or directions shall be, and the Trustee

may conclusively rely upon such instructions or directions, delivered, and executed by representatives of Grantor designated on Schedule I attached hereto and made a part hereof which such designation shall include specimen signatures of such representatives, as such Schedule I may be updated from time to time.

Section 8.13 Patriot Act. Grantor, TransCo and ITC hereby acknowledge that in accordance with Section 326 of the USA Patriot Act the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with The Goldman Sachs Trust Company of Delaware. Grantor, TransCo and ITC each agrees that it will provide the Trustee with such information as it may reasonably request in order for the Trustee to satisfy the requirements of the USA Patriot Act.

Section 8.14 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other parties. Execution of this Agreement or any other documents pursuant to this Agreement by facsimile or other electronic copy of a signature shall be deemed to be, and shall have the same effect as, executed by an original signature.

Section 8.15 ITC Expenses. Except to the extent of losses in respect of which ITC is not entitled to indemnification pursuant to Section 8.16, Grantor shall reimburse ITC and its subsidiaries (including TransCo following the Effective Time) on demand for all documented fees or expenses reasonably paid or incurred by ITC and its subsidiaries (including TransCo following the Effective Time) by reason of their compliance with this Agreement or participation in or the performance of the transactions contemplated by this Agreement, including, but not limited to, all reasonable documented outside counsel, advisors' and agents' fees and disbursements and all transfer taxes or other governmental charges (and including any such expenses and fees incurred in connection with the negotiations of this Agreement). The obligations contained in this Section 8.15 shall survive the termination of this Agreement.

Section 8.16 Indemnification of ITC.

(a) Except (i) to the extent caused by ITC's or its Affiliates' (including TransCo following the Effective Time) gross negligence or willful misconduct, or (ii) to the extent caused by a breach of this Agreement, the Registration Rights Agreement, the Merger Agreement or the Separation Agreement by ITC or (following the Effective Time) TransCo, or (iii) except as expressly provided in the Registration Rights Agreement with respect to any matter for which ITC has an indemnification or contribution obligation, or (iv) to the extent limited by Section 8.16(b), Grantor shall indemnify, defend and hold harmless ITC and its subsidiaries (including TransCo following the Effective Time) and their officers, directors, employees, representatives and agents, from and against and reimburse ITC and its subsidiaries (including TransCo following the Effective Time) for any and all claims, expenses, obligations, liabilities, losses, damages, penalties, stamp or other similar transfer taxes, actions, suits,

judgments, reasonable documented costs and expenses (including reasonable documented outside attorney's and consultant's fees and expenses and court costs), demanded, asserted or claimed by any person or entity (other than ITC and its Affiliates) against ITC or its subsidiaries (including TransCo following the Effective Time) directly or indirectly relating to, or arising from, claims against ITC or its subsidiaries (including TransCo following the Effective Time) by reason of their participation in an Exchange Offer or Mandatory Distribution and any transaction ancillary to an Exchange Offer or Mandatory Distribution pursuant to this Agreement, including with respect to Section 2.9. The provisions of this Section 8.16 shall survive the termination of this Agreement.

(b) Grantor shall not be liable to ITC or its Affiliates (including TransCo) for (i) any claims, expenses, obligations, liabilities, losses, damages, penalties, actions, suits, judgments, reasonable documented costs and expenses, demanded, asserted or claimed by any former, current, or future shareholder of ITC (excluding, with respect to ITC Common Stock in a Trust Distribution or an Exchange Offer, any Grantor Shareholder who becomes in a Trust Distribution or an Exchange Offer an ITC shareholder on account of such ITC Common Stock) arising out of, or in any way related to, this Agreement, including, without limitation, (A) any alleged or actual breach of fiduciary duty to ITC or its shareholders by any of directors, officers, owners, members, managers, partners, agents or employees of ITC or its Affiliates or (B) diminution of stock price or value, and in either case of (A) or (B), excluding any claims, expenses, obligations, liabilities, losses, damages, penalties, actions, suits, judgments, reasonable documented costs and expenses, demanded, asserted or claimed by any former, current, or future shareholder of ITC or Grantor arising out of, or in any way related to the Trustee's election to donate Dividend Proceeds to a Qualified Charity pursuant to Section 2.9(a)(ii); and (ii) any punitive damages.

(c) Nothing in this Section 8.16 shall be construed or interpreted to otherwise modify the allocation of liabilities and the indemnification obligations in the Separation Agreement.

Section 8.17 ITC Provisions. Notwithstanding any other provision of this Agreement or applicable provision of Law or in equity, to the fullest extent permitted by applicable Law, ITC and its subsidiaries (including TransCo following the Effective Time) shall have no duties or obligations to Grantor, TransCo, the Trustee, the Grantor Shareholders, any beneficiary of the Trust or any other person bound by this Agreement, other than the obligations expressly set forth in this Agreement, and no implied duties or obligations shall be read into this Agreement against ITC or its subsidiaries (including TransCo following the Effective Time). Notwithstanding any other provision of this Agreement or applicable provision of Law or in equity, ITC and its subsidiaries (including TransCo following the Effective Time) shall not be deemed to be acting in any fiduciary capacity hereunder and shall not be liable to the Trust, Grantor, TransCo, the Trustee, the Grantor Shareholders, any beneficiary of the Trust, or any other person bound by this Agreement for any act or omission of ITC or its subsidiaries (including TransCo following the Effective Time), or for breach of this Agreement or breach of any duty; provided, that such act or omission was not attributable in whole or in part to (i) any

gross negligence, willful misconduct or bad faith of ITC, its Affiliates or any of their respective officers, directors, members, managers, employees or agents, or (ii) any breach by ITC or TransCo under this Agreement, the Registration Rights Agreement or the Separation Agreement.

Section 8.18 Confidentiality. The parties hereto acknowledge that Annex II (Irrevocable Terms) contains sensitive, competitive information, the disclosure of which would cause competitive harm to Grantor and ITC. As such, ITC and the Trustee agree that ITC and the Trustee, and their respective Affiliates, shall keep Annex II and the information contained therein confidential and, subject to the following obligations in this Section 8.18, shall not disclose Annex II or the information contained therein to any other person, except as required by law, rule, regulation, stock exchange rule or disclosure requirement of the SEC; provided, that for the purposes of this Section 8.18, any such SEC disclosure requirement shall include (i) an indication by the SEC to ITC or the Trustee that the SEC will not declare the registration statement relating to the Exchange Offer effective without disclosure of Annex II or the information contained therein, or (ii) the reasonable belief by ITC or the Trustee, upon the advice of counsel, that the SEC will not declare the registration statement relating to the Exchange Offer effective without disclosure of Annex II or the information contained therein. In the event that ITC or the Trustee, or any of their respective Affiliates, are legally compelled, pursuant to a subpoena, civil investigative demand, regulatory demand or similar process or pursuant to applicable law to disclose Annex II or the information contained therein, each of ITC and the Trustee agree that it shall use commercially reasonable efforts to provide Grantor with prompt notice of such request or requirement together with the text of the proposed disclosure as far in advance of its disclosure as is reasonably practicable, and will in good faith consult with and consider the suggestions of Grantor concerning the nature and scope of the information ITC or the Trustee proposes to disclose. Grantor may seek an appropriate protective order (including making a confidential treatment request to the SEC pursuant to Rule 406 under the Securities Act of 1933) or other remedy, may consult with ITC or the Trustee with respect to Grantor's taking steps to resist or narrow the scope of such request or legal process, or may waive compliance, in whole or in part, with the terms of this Section 8.18. ITC and the Trustee agree to reasonably cooperate with and not unreasonably to oppose any action by Grantor to obtain a protective order or other appropriate remedy. In the event that no such protective order or other remedy is obtained, or that Grantor waives compliance with the terms of this Section 8.18, ITC or the Trustee may disclose only that part of Annex II as it is advised by counsel is legally required. In any such event, each of ITC and the Trustee shall use its commercially reasonable efforts to ensure that Annex II, or any information contained therein that is so disclosed, will be accorded confidential treatment. Nothing in this Section 8.18 shall prohibit the disclosure of the Discount or the Upper Limit in any Offer Document pursuant to an Exchange Offer. In accordance with Section 3303(a) of Title 12 of the Delaware Code, the Trustee shall not furnish any notice or account statement to any Grantor Shareholder, or provide any Grantor Shareholder notice of the existence of the Trust or any information regarding the Trust or its terms or assets unless required under applicable Law.

Section 8.19 Application of Article VI of the Separation Agreement to this Agreement. This Agreement, together with any amendments, modifications, or supplements to this Agreement, shall be deemed an Ancillary Agreement under the Separation Agreement; provided, however, for purposes of applying Article VI (Tax Matters) of the Separation

Agreement, the payment of a dividend by ITC or the occurrence of a Merger Event as contemplated by Section 2.9 and Section 4.5 of this Agreement, respectively, shall not be treated as “provided for” in an Ancillary Agreement.

Section 8.20 Communications. Grantor and ITC agree that neither party will initiate any direct or indirect communications, meetings, nor other contacts, formal or informal, oral or written, regarding the terms of this Agreement, and the transactions contemplated thereby, with the Trustee after the Effective Time except: (a) in connection with the preparation, filing, delivery, dissemination or similar action of any Offer Document (including any document, writing, information or similar communication contained in any Offer Document); (b) in connection with any Trust Distribution; (c) where the failure to initiate any communications, meetings, or other contacts could reasonably result in a violation of applicable Law by such party or its Affiliates or each of their respective representatives and/or the Trustee; (d) if either ITC or Grantor reasonably believes that any provision of this Agreement has been or will be breached or not complied with, (e) as otherwise contemplated or implied by or provided for in this Agreement or the Registration Rights Agreement or (f) otherwise as may be reasonably necessary to effect any express provision or the intent of this Agreement; provided that in each case in which communication is permissible, Grantor and ITC (as applicable) shall notify each other in advance of such communication, shall provide copies of any such written communication to each other and shall allow each other to participate in any meetings or other oral communications with the Trustee. Without limiting or modifying the foregoing, if, for any reason, the Trustee initiates communications with either the Grantor or ITC regarding the terms of this Agreement, both parties agree that the party receiving the communications will notify the other party of all the details of the communications, including providing copies of any written communications, and work collaboratively to prepare any response to the Trustee, as necessary. The provisions of this Section 8.20 shall not be enforceable by (x) any party that is in material breach of this Agreement or the Registration Rights Agreement or (y) the Trustee.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

ENTERGY CORPORATION

By _____
Name:
Title:

ITC HOLDINGS CORP.

By _____
Name:
Title:

MID SOUTH TRANSCO LLC

By _____
Name:
Title:

THE GOLDMAN SACHS TRUST COMPANY OF
DELAWARE,
as Trustee

By _____
Name:
Title:

Annex I

Offer Conditions

Notwithstanding any other provision of this Agreement, the Trustee shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act, pay for any tendered Grantor Shares if any of the following events shall exist on the date of the expiration of the Exchange Offer or immediately prior to the Exchange Offer Closing:

- (a) there shall be any Law enacted, entered, enforced, promulgated or deemed applicable to the Exchange Offer that prohibits or makes illegal consummation of the Exchange Offer;
- (b) there shall be instituted any action, litigation, suit, claim or proceeding that would be reasonably likely to enjoin, prohibit, restrain, make illegal, make materially more costly or materially delay completion of the Exchange Offer;
- (c) ITC or Grantor shall have materially breached or failed, in any material respect, to perform or comply with any material agreement or covenant to be performed or complied with by it under this Agreement and the Registration Rights Agreement that would materially impair the ability to effect and conclude the Exchange Offer at or prior to the date of determination, and such breach or failure to perform or comply shall not have been cured;
- (d) ITC shall not have filed, if required by the NYSE, an NYSE Supplemental Listing Application and such NYSE Supplemental Listing Application shall not have been approved by the NYSE;
- (e) the registration statement filed by ITC with respect to the Exchange Offer shall not have been declared effective by the SEC by 5:00 p.m. on the expiration date of the Exchange Offer;
- (f) any stop order suspending the effectiveness of the registration statement filed by ITC has been issued by the SEC and not withdrawn, or any proceeding for that purpose has been initiated by the SEC and not concluded or withdrawn, and any review, if applicable, of such registration statement by the SEC shall not have been completed or the Trustee and Grantor shall not have been informed that such registration statement will not be reviewed by the SEC;
- (g) the Trustee shall have been informed by Grantor or ITC that Grantor, ITC, Trustee or any of their respective Affiliates are in possession of material, non-public information relating to the Exchange Offer that has not been disclosed in the Offer Documents or the registration statement relating to the Exchange Offer, as the case may be;

- (h) there shall be any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States;
- (i) there shall be any extraordinary or material adverse change in U.S. financial markets generally, including, without limitation, a decline of at least 20% in the closing level of either the Dow Jones Industrial Average or the Standard & Poor's 500 Index from the closing level established on the date the Exchange Offer is commenced;
- (j) there shall be a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States;
- (k) there shall be a commencement of a war (whether declared or undeclared), armed hostilities or other national or international calamity, including an act of terrorism, directly or indirectly involving the United States, which would reasonably be expected to affect materially and adversely, or to delay materially, the completion of the Exchange Offer; and
- (l) if any of the situations described in (h), (i), (j) or (k) above shall exist, as of the date of the commencement of the Exchange Offer, and the situation deteriorates materially.

The foregoing conditions shall be in addition to, and not in limitation of, the rights of the Trustee or Grantor, as applicable, to extend, terminate and/or modify the Exchange Offer pursuant to the terms of this Agreement and the Registration Rights Agreement.

Schedule I

Authorized Representatives

Name

Title

Specimen Signature

Schedule II

Fee Schedule; Expense Pre-Funded Amount

Exhibit A
IRREVOCABLE PROXY²

The undersigned, acting solely in its capacity as trustee of the Trust (as defined in the Trust Agreement referred to below), which holds shares of common stock of ITC Holdings Corp., a Michigan corporation (“ITC”), as of the date hereof, hereby irrevocably appoints the Secretary of ITC, any other designee of ITC’s Board of Directors, or any other person duly authorized by ITC to serve as proxy, as the sole and exclusive attorney-in-fact and proxies of the undersigned, with full power of substitution and resubstitution, to vote and exercise all voting and related rights (to the full extent that the undersigned is entitled to do so), for the term of the Trust Agreement, with respect to all of the shares of common stock of ITC that now are or hereafter may be owned of record by the Trust, and any and all other shares or securities of ITC issued or issuable, or exchanged or exchangeable, in respect thereof on or after the date hereof (collectively, the “Shares”) in accordance with the terms of the Trust Agreement, dated as of [_____] (as the same may be amended from time to time, the “Trust Agreement”), among Entergy Corporation, a Delaware corporation, ITC and [•], as trustee. This proxy is irrevocable and is coupled with an interest.

The attorneys-in-fact and proxies named above, and each of them, are hereby authorized and empowered by the undersigned to act as the undersigned’s attorney-in-fact and irrevocable proxy, and to exercise all voting, consent and similar rights of the undersigned with respect to the Shares (including, without limitation, the power to execute and deliver written consents), subject to and in accordance with the terms of the Trust Agreement.

Any obligation of the undersigned hereunder shall be binding upon the successors and assigns of the undersigned.

[•], as trustee of the Trust

Dated: [_____] , 201[]

By: /s/ [_____]

Name:[_____]

Title: [_____]

² NTD: To be appropriately conformed, as necessary, for TransCo and TransCo Common Units.

Exhibit C

FORM OF LETTER AGREEMENT

[Entergy Letterhead]

_____, 201_

BY FACSIMILE AND OVERNIGHT COURIER

ITC Holdings Corp.
27175 Energy Way
Novi, MI 48377
Attn: Daniel J. Oginsky, Senior Vice President and General Counsel

Re: Trust Agreement – ITC Consent Rights

Dear Mr. Oginsky:

Reference is hereby made to that certain trust agreement (the “Trust Agreement”), dated as of [____], 201_, by and among Entergy Corporation (“Entergy”), ITC Holdings Corp. (“ITC”), Mid South TransCo LLC (“TransCo”) and The Goldman Sachs Trust Company of Delaware (the “Trustee”). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Trust Agreement.

Entergy hereby agrees that it shall not direct the Trustee to terminate any Exchange Offer, as provided by Section 4.3(e) of the Trust Agreement, without first obtaining ITC’s prior written consent, such consent not to be unreasonably withheld, conditioned or delayed. Entergy hereby further agrees that it shall not direct the Trustee to modify, amend or supplement the procedures in Section 4.3 of the Trust Agreement, or direct the Trustee to modify, amend or remove an Offer Condition, each as provided by Section 4.3(f) of the Trust Agreement, without first obtaining ITC’s prior written consent, such consent not to be unreasonably withheld, conditioned or delayed.

[Signature Page Follows]

Exhibit I-1A

_____, 201_

Page 2

Please countersign this letter where indicated below to evidence your agreement to the above.

ENTERGY CORPORATION

By: _____

Name:

Title:

Acknowledged and agreed as of the date first set forth above:

ITC HOLDINGS CORP.

By: _____

Name:

Title:

cc: Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Attn: Andrew W. Smith, Esq.
Facsimile: (212) 455-2502

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005
Attn: Michael P. Rogan, Esq.; Pankaj S. Sinha, Esq.
Facsimile: (202) 393-5760

Execution Version

AMENDMENT NO. 2 TO THE MERGER AGREEMENT

This Amendment No. 2 (this “Amendment”), dated as of January 28, 2013, amends the Merger Agreement, dated as of December 4, 2011, as amended by that certain Amendment No. 1 to the Merger Agreement, dated as of September 21, 2012 (collectively, the “Merger Agreement”), among Entergy Corporation, a Delaware corporation (“Entergy”), Mid South TransCo LLC, a Delaware limited liability company and presently a wholly owned Subsidiary of Entergy, ITC Holdings Corp., a Michigan corporation (“ITC”), and ITC Midsouth LLC (formerly known as Ibis Transaction Subsidiary LLC), a Delaware limited liability company and a direct wholly owned Subsidiary of ITC. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Merger Agreement.

WHEREAS, the Parties have entered into the Merger Agreement; and

WHEREAS, in accordance with Section 8.08 of the Merger Agreement, the Parties hereto wish to amend the Merger Agreement as set forth below.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements contained herein and intending to be legally bound, the Parties agree as follows:

i. Section 1.19 of the Merger Agreement is hereby amended and restated in its entirety to read as follows:

“Section 1.19 [Intentionally Omitted]”

ii. Section 9.01 of the Merger Agreement is hereby amended to delete the following definitions:

“Dissenting Share” has the meaning set forth in Section 1.19.

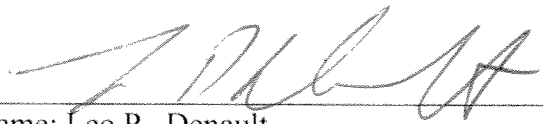
“Dissenting Shareholder” has the meaning set forth in Section 1.19.

iii. No Other Amendments or Supplements to the Merger Agreement. On and after the date hereof, each reference in the Merger Agreement to “this Agreement”, “herein”, “hereof”, “hereunder” or words of similar import shall mean and be a reference to the Merger Agreement as amended and supplemented hereby. Except as otherwise expressly provided herein, all of the terms and conditions of the Merger Agreement shall remain unchanged and continue in full force and effect.

iv. Other Miscellaneous Terms. The provisions of Article VIII (Miscellaneous) of the Merger Agreement shall apply mutatis mutandis to this Amendment, and to the Merger Agreement as modified by this Amendment, taken together as a single agreement, reflecting the terms therein as modified hereby.

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be executed as of the date first above written.

ENTERGY CORPORATION

By: 
Name: Leo P. Denault
Title: Executive Vice President and
Chief Financial Officer

MID SOUTH TRANSCO LLC

By: _____
Name: Theodore H. Bunting, Jr.
Title: President

ITC HOLDINGS CORP.

By: _____
Name:
Title:

ITC MIDSOUTH LLC

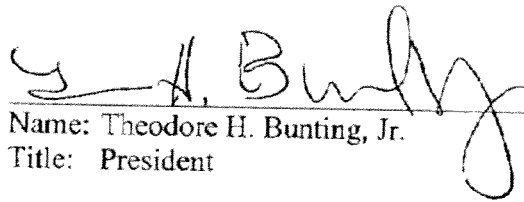
By: _____
Name:
Title

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be executed as of the date first above written.

ENTERGY CORPORATION

By: _____
Name: Leo P. Denault
Title: Executive Vice President and
Chief Financial Officer

MID SOUTH TRANSCO LLC

By:  _____
Name: Theodore H. Bunting, Jr.
Title: President

ITC HOLDINGS CORP.

By: _____
Name:
Title:

ITC MIDSOUTH LLC

By: _____
Name:
Title:

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be executed as of the date first above written.

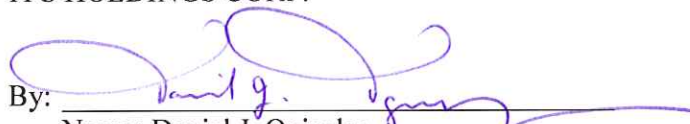
ENTERGY CORPORATION

By: _____
Name:
Title:

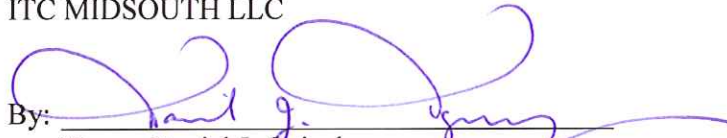
MID SOUTH TRANSCO LLC

By: _____
Name:
Title:

ITC HOLDINGS CORP.

By:  _____
Name: Daniel J. Oginsky
Title: Senior Vice President & General Counsel

ITC MIDSOUTH LLC

By:  _____
Name: Daniel J. Oginsky
Title: Senior Vice President & General Counsel

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EXECUTION COPY
(redacted)

EMPLOYEE MATTERS AGREEMENT

by and among

ENTERGY CORPORATION,

MID SOUTH TRANSCO LLC

and

ITC HOLDINGS CORP.

dated as of

December 4, 2011

TABLE OF CONTENTS

ARTICLE I DEFINITIONS AND INTERPRETATION	2
Section 1.1 <u>Definitions</u>	2
Section 1.2 <u>References; Interpretation</u>	10
Section 1.3 <u>Relation to Other Documents</u>	10
ARTICLE II GENERAL PRINCIPLES.....	10
Section 2.1 <u>Assumption and Retention of Liabilities; Related Assets</u>	10
Section 2.2 <u>Treatment of Compensation and Benefit Arrangements</u>	12
Section 2.3 <u>Participation in Entergy Benefit Arrangements</u>	12
Section 2.4 <u>Service Recognition</u>	12
Section 2.5 <u>Collective Bargaining Agreements</u>	13
Section 2.6 <u>No Acceleration of Benefits</u>	14
Section 2.7 <u>Amendment Authority</u>	14
Section 2.8 <u>No Commitment to Employment or Benefits</u>	14
Section 2.9 <u>Certain Employment Transfers</u>	14
Section 2.10 <u>Identification of Retained/TransCo Employees</u>	14
ARTICLE III QUALIFIED DEFINED BENEFIT PLANS	15
Section 3.1 <u>Participation of TransCo in the Entergy Retirement Plan</u>	15
Section 3.2 <u>Retirement Plan</u>	15
ARTICLE IV QUALIFIED DEFINED CONTRIBUTION PLANS.....	16
Section 4.1 <u>Participation of TransCo in the Entergy Savings Plan; Vesting</u>	16
Section 4.2 <u>ITC Savings Plan</u>	16
Section 4.3 <u>Transfer of Plan Assets and Liabilities</u>	16
Section 4.4 <u>Stock Considerations</u>	17
ARTICLE V HEALTH AND WELFARE PLANS.....	17
Section 5.1 <u>Health and Welfare Plan Participation</u>	17
Section 5.2 <u>ITC Retiree Welfare Benefits</u>	17
Section 5.3 <u>Reimbursement Account Plans</u>	19
Section 5.4 <u>Certain Liabilities</u>	20
Section 5.5 <u>Time-Off Benefits</u>	20
ARTICLE VI EXECUTIVE BENEFIT PLANS	21
Section 6.1 <u>Non-Qualified Deferred Compensation Plans</u>	21
Section 6.2 <u>Separation is Not Distributable Event</u>	21
Section 6.3 <u>No Transfer of Assets Attributable to Entergy NQDCP</u>	21
ARTICLE VII EQUITY INCENTIVE AWARDS	21
Section 7.1 <u>Treatment of Outstanding Entergy Options</u>	21

Section 7.2	<u>Treatment of Outstanding Entergy Restricted Stock</u>	22
Section 7.3	<u>Treatment of Outstanding Entergy Restricted Stock Units</u>	22
Section 7.4	<u>SEC Registration</u>	22
Section 7.5	<u>Savings Clause</u>	22
ARTICLE VIII ADDITIONAL COMPENSATION MATTERS		22
Section 8.1	<u>Workers' Compensation Liabilities</u>	22
Section 8.2	<u>Code Sections 162(m)/409A</u>	23
Section 8.3	<u>Certain Payroll, Annual and Long-Term Bonus Matters</u>	23
ARTICLE IX INDEMNIFICATION		24
Section 9.1	<u>Indemnification by the Parties</u>	24
Section 9.2	<u>Procedures for Indemnification</u>	24
Section 9.3	<u>Indemnification Obligations Net of Proceeds Received from Third Parties</u>	26
Section 9.4	<u>Certain Actions; Substitution; Subrogation</u>	27
Section 9.5	<u>Payments</u>	28
ARTICLE X GENERAL AND ADMINISTRATIVE		28
Section 10.1	<u>Sharing of Information</u>	28
Section 10.2	<u>Reasonable Efforts/Cooperation</u>	28
Section 10.3	<u>Employer Rights</u>	29
Section 10.4	<u>Effect on Employment</u>	29
Section 10.5	<u>Consent of Third Parties</u>	29
Section 10.6	<u>Access to Employees</u>	29
Section 10.7	<u>Beneficiary Designation/Release of Information/Right to Reimbursement</u>	29
ARTICLE XI MISCELLANEOUS		30
Section 11.1	<u>Entire Agreement</u>	30
Section 11.2	<u>Governing Law</u>	30
Section 11.3	<u>Specific Performance; Jurisdiction</u>	30
Section 11.4	<u>Waiver of Jury Trial</u>	31
Section 11.5	<u>Notices</u>	31
Section 11.6	<u>Amendments and Waivers</u>	33
Section 11.7	<u>Termination</u>	33
Section 11.8	<u>No Third-Party Beneficiaries</u>	33
Section 11.9	<u>Assignability; Binding Effect</u>	33
Section 11.10	<u>Construction; Interpretation</u>	34
Section 11.11	<u>Severability</u>	34
Section 11.12	<u>Counterparts</u>	34

Section 11.13 <u>Relationship of Parties</u>	34
Section 11.14 <u>Subsidiaries</u>	35
Section 11.15 <u>Dispute Resolution</u>	35

Exhibits

Exhibit A	Retained Employees
Exhibit B	Transmission Business Employees
Exhibit C	Certain Nonqualified Plan Participants
Exhibit 5.2(b)(ii)	VEBA Transfer Assumptions

Schedules

Schedule A	Certain Collective Bargaining Agreements
Schedule B	Severance Formula

EMPLOYEE MATTERS AGREEMENT

This Employee Matters Agreement (this "Agreement") is dated as of December 4, 2011 among Entergy Corporation, a Delaware corporation ("Entergy"), Mid South TransCo LLC, a Delaware limited liability company and presently a wholly owned Subsidiary of Entergy ("TransCo"), and ITC Holdings Corp., a Michigan corporation ("ITC"). Each of Entergy, TransCo and ITC is herein referred to as a "Party" and together, as "Parties".

R E C I T A L S:

WHEREAS, Entergy is engaged, through Utility OpCos, in the Transmission Business;

WHEREAS, the Board of Directors of Entergy has determined that it is advisable and in the best interests of Entergy and Entergy's shareholders to separate the Transmission Business from Entergy and to divest the Transmission Business in the manner contemplated by the Separation Agreement, dated as of the date hereof (the "Separation Agreement"), among Entergy, TransCo, and the other parties thereto and the Merger Agreement, dated as of the date hereof (the "Merger Agreement"), among Entergy, TransCo, ITC and Ibis Transaction Subsidiary LLC, a Delaware limited liability company and a direct wholly owned Subsidiary of ITC ("Merger Sub");

WHEREAS, Entergy has caused TransCo to be formed in order to facilitate such separation and divestiture;

WHEREAS, Entergy currently owns all of the common units representing limited liability company membership interests of TransCo (the "TransCo Common Units");

WHEREAS, pursuant to the Merger Agreement, immediately after the Distribution and at the Effective Time, Merger Sub shall be merged (the "Merger") with and into TransCo, with TransCo surviving the Merger as a wholly owned subsidiary of ITC and the TransCo Common Units shall be converted into the right to receive shares of common stock of ITC on the terms and subject to the conditions of the Merger Agreement and in accordance with the Delaware Limited Liability Company Act;

WHEREAS, pursuant to the Separation Agreement, Entergy and TransCo have agreed to enter into this Agreement for the purpose of allocating Assets, Liabilities and responsibilities with respect to certain employee matters and employee compensation and benefit plans and programs between and among them and to address certain other employment-related matters.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties and covenants and agreements contained herein, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE I
DEFINITIONS AND INTERPRETATION

Section 1.1 Definitions. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Separation Agreement and the following terms shall have the following meanings:

"Action" means any demand, charge, claim, action, suit, counter suit, arbitration, mediation, hearing, inquiry, proceeding, audit, review, complaint, litigation or investigation, or proceeding of any nature whether administrative, civil, criminal, regulatory or otherwise, by or before any federal, state, local, foreign or international Governmental Authority or any arbitration or mediation tribunal.

"Actuary" means, when immediately preceded by " Entergy," the actuary retained by Entergy in respect of the Entergy OPEB Plan and means, when immediately preceded by "ITC," the actuary retained by ITC in respect of the ITC OPEB Plan.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such other Person as of the date on which, or at any time during the period for which, the determination of affiliation is being made. For purposes of this definition, the term "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person means 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 Contract or otherwise.

"Agreement" has the meaning set forth in the preamble.

"Benefit Arrangement" means each Benefit Plan and Benefit Policy.

"Benefit Plan" means, with respect to an entity, each compensation or employee benefit plan, program, policy, agreement or other arrangement, whether or not "employee benefit plans" (within the meaning of Section 3(3) of ERISA, whether or not subject to ERISA), including any benefit plan, program, policy, agreement or arrangement providing cash- or equity-based compensation or incentives, health, medical, dental, vision, disability, accident or life insurance benefits or vacation, severance, retention, change in control, termination, deferred compensation, individual employment or consulting, retirement, pension or savings benefits, supplemental income, retiree benefit, relocation or other fringe benefit (whether or not taxable), or employee loans, that are sponsored or maintained by such entity (or to which such entity contributes or is required to contribute or in which it participates), and excluding workers' compensation plans, policies, programs and arrangements.

"Benefit Policy" means, with respect to an entity, each plan, program, arrangement, agreement or commitment that is a vacation pay or other paid or unpaid leave policy or practice sponsored or maintained by such entity (or to which such entity contributes or is required to contribute) or in which it participates.

"Business Day" means any day that is not a Saturday, a Sunday or other day that is a statutory holiday under the federal Laws of the United States. In the event that any action is required or permitted to be taken under this Agreement on or by a date that is not a Business Day, such action may be taken on or by the Business Day immediately following such date.

"Closing" has the meaning given to such term in the Merger Agreement.

"Closing Date" has the meaning given to such term in the Merger Agreement.

"COBRA" means the continuation coverage requirements for "group health plans" under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and as codified in Code Section 4980B and Sections 601 through 608 of ERISA, together with all regulations and proposed regulations promulgated thereunder.

"Code" means the United States Internal Revenue Code of 1986 (or any successor statute), as amended from time to time.

"Collective Bargaining Agreement" means all agreements with the collective bargaining representatives of TransCo Employees that set forth the terms and conditions of employment of TransCo Employees, and all modifications of, or amendments to, such agreements and any rules, procedures, awards or decisions of competent jurisdiction interpreting or applying such agreements, including the collective bargaining agreements set forth on Schedule A.

"Consents" means any consents, waivers or approvals from, or notification requirements to, or authorizations by, any third parties.

"Contract" means any legally binding written or oral agreement, contract, subcontract, lease, understanding, instrument, note, option, warranty, sales order, purchase order, license, sublicense, insurance policy, benefit plan or commitment or undertaking of any nature, excluding any Permit.

"Distribution" has the meaning given to such term in the Merger Agreement.

"Distribution Date" has the meaning given to such term in the Separation Agreement.

"Effective Time" has the meaning given to such term in the Merger Agreement.

"Employment Taxes" means any federal, state, local or foreign Taxes, charges, fees, duties, levies, imposts, rates or other assessments or obligations imposed on, due or asserted to be due from (i) employees or deemed employees of the Entergy Group or employees or deemed employees of the TransCo Group or (ii) the Entergy Group or the TransCo Group as employers or deemed employers of such employees, including employers' and employees' portions of Federal Insurance Contributions Act ("FICA") Taxes, employers' Federal Unemployment Tax Act ("FUTA") taxes and state and local unemployment insurance taxes ("SUTA"), and employers' withholding, reporting and remitting obligations with respect to any such Taxes or employees' federal, state and local income taxes that are imposed on or due from employees or deemed

employees of the Entergy Group or the TransCo Group.

"Employment Tax Return" means any return, report, certificate, form or similar statement or document (including any related or supporting information or schedule attached thereto and any information return, amended tax return, claim for refund or declaration of estimated Employment Tax) required to be supplied to, or filed with, a Tax authority in connection with the determination, assessment or collection of any Employment Tax or the administration of any laws, regulations or administrative requirements relating to any Employment Tax (whether or not a payment is required to be made with respect to such filing).

"Entergy" has the meaning given to such term in the preamble.

"Entergy Bargaining Retirement Plan" means the Entergy Corporation Retirement Plan for Bargaining Employees.

"Entergy Benefit Arrangement" means any Benefit Arrangement sponsored, maintained or contributed to by any member of the Entergy Group or any ERISA Affiliate thereof.

"Entergy Common Stock" means the issued and outstanding shares of common stock, par value \$0.01 per share, of Entergy.

"Entergy Group" means Entergy and each of its Subsidiaries, but excluding any member of the TransCo Group.

"Entergy Indemnitees" means Entergy, each member of the Entergy Group, and all Persons who are or have been shareholders, directors, partners, managers, managing members, officers, agents or employees of any member of the Entergy Group (in each case, in their respective capacities as such) (excluding any shareholder of Entergy), together with their respective heirs, executors, administrators, successors and assigns.

"Entergy Nonbargaining Retirement Plan" means the Entergy Corporation Retirement Plan for Nonbargaining Employees.

"Entergy NQDCP" means, collectively, the Pension Equalization Plan of Entergy Corporation and Subsidiaries, the System Executive Retirement Plan of Entergy Corporation and Subsidiaries and the Supplemental Retirement Plan of Entergy Corporation and Subsidiaries.

"Entergy Option" means an option to purchase shares of Entergy Common Stock granted pursuant to one of the Entergy Stock Plans and held by a TransCo Employee as of immediately before the Closing Date.

"Entergy Reimbursement Account Plan" has the meaning set forth in Section 5.3.

"Entergy Restricted Share" means a share of Entergy Common Stock granted by Entergy or one of its Affiliates pursuant to one of the Entergy Stock Plans that as of immediately before the Closing Date is subject to forfeiture based on the extent of attainment of a vesting requirement and

held by a TransCo Employee as of immediately before the Closing Date.

"Entergy Restricted Stock Unit" means a unit granted by Entergy or one of its Affiliates pursuant to one of the Entergy Stock Plans representing a general unsecured promise by Entergy or one of its Affiliates to deliver a share of Entergy Common Stock and/or dividend equivalents, if applicable (or the cash equivalent of either), upon the satisfaction of a vesting requirement and held by a TransCo Employee as of immediately before the Closing Date.

"Entergy Retirement Plan" means the Entergy Bargaining Retirement Plan and the Entergy Nonbargaining Retirement Plan.

"Entergy Savings Plan" means the Savings Plan of Entergy Corporation and Subsidiaries and any other Benefit Plan maintained by any member of the Entergy Group in which TransCo Employees participate immediately before the Distribution Date and that is intended to satisfy the requirements of Sections 401(a) and 401(k) of the Code.

"Entergy Stock Plans" means, collectively, the 2011 Equity Ownership and Long Term Cash Incentive Plan of Entergy Corporation and Subsidiaries, the 2007 Equity Ownership and Long Term Cash Incentive Plan of Entergy Corporation and Subsidiaries, the 1998 Equity Ownership Plan of Entergy Corporation and Subsidiaries, and the Entergy Corporation and Subsidiaries Equity Awards Plan.

"Entergy Welfare Plans" means any employee welfare benefit plan maintained by Entergy or any member of the Entergy Group and in which TransCo Employees participate.

"Equity Exchange Ratio" means the quotient of (i) the per share closing trading price of Entergy Common Stock trading on the "regular way" basis on the New York Stock Exchange on the day before the Distribution Date and (ii) the per share closing trading price of ITC Common Stock trading on the "regular way" basis on the New York Stock Exchange on the Closing Date.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means with respect to any Person, each business or entity which is a member of a "controlled group of corporations," under "common control" or a member of an "affiliated service group" with such Person within the meaning of Sections 414(b), (c) or (m) of the Code, or required to be aggregated with such Person under Section 414(o) of the Code, or under "common control" with such Person within the meaning of Section 4001(a)(14) of ERISA.

"Estimated Entergy VEBA Transfer Amount" has the meaning set forth in Section 5.2(b)(ii).

"Governmental Authority" means any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority or self-regulatory organization.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as

amended.

"Indemnifying Party" has the meaning set forth in Section 9.2(b).

"Indemnitee" means each Entergy Indemnitee, TransCo Indemnitee or ITC Indemnitee.

"Indemnity Payment" has the meaning set forth in Section 9.4(a).

"Information" means information in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, Contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data but in any case excluding back-up tapes.

"Initial ITC VEBA Transfer Amount" has the meaning set forth in Section 5.2(b)(ii)(A).

"IRS" means the United States Department of the Treasury Internal Revenue Service.

"ITC" has the meaning set forth in the preamble.

"ITC Benefit Arrangement" means any Benefit Arrangement sponsored, maintained or contributed to by any member of the ITC Group or any ERISA Affiliate thereof immediately following the Effective Time.

"ITC Common Stock" means the issued and outstanding shares of common stock, no par value per share, of ITC.

"ITC Group" means ITC and each of its Affiliates, including after the Closing, the TransCo Group.

"ITC Indemnitees" means ITC, each member of the ITC Group, and all Persons who are or have been shareholders, directors, partners, managers, managing members, officers, agents or employees of any member of the ITC Group (in each case, in their respective capacities as such) (excluding any shareholder of ITC), together with their respective heirs, executors, administrators, successors and assigns.

"ITC Option" means an option to purchase shares of ITC Common Stock as of the Closing Date, which shall be issued as part of the adjustment to Entergy Options in connection with the Merger.

"ITC Reimbursement Account Plan" has the meaning set forth in Section 5.3.

"ITC Restricted Stock Unit" means a unit issued by ITC representing a general unsecured promise by ITC or one of its Affiliates to deliver a share of ITC Common Stock or dividend equivalents, if applicable (or the cash equivalent of either), upon the satisfaction of a service or performance based vesting requirement, which unit is issued as part of the adjustment to Entergy Restricted Stock Units in connection with the Merger.

"ITC Retirement Plan" has the meaning set forth in Section 3.2(a).

"ITC Savings Plan" has the meaning set forth in Section 4.2.

"ITC Welfare Plan" has the meaning set forth in Section 5.1.

"Law" means any statute, law (including common law), ordinance, regulation, rule, code or other legally enforceable requirement of, or Order issued by, a Governmental Authority.

"Leave of Absence" means any leave under the Entergy System Attendance and Absenteeism policy or other similar policy or any other approved leave of absence whether paid or unpaid, that is protected by Law or provided for under an Entergy policy, program or agreement including USERRA Leave, leave under the Family and Medical Leave Act or corresponding state law or any Entergy short-term disability policy, but exclusive of long-term disability.

"Liabilities" means all debts, liabilities (including liabilities for Taxes), guarantees, assurances, commitments and obligations, whether fixed, contingent or absolute, asserted or unasserted, matured or unmatured, liquidated or unliquidated, accrued or not accrued, known or unknown, due or to become due, whenever or however arising (including whether arising out of any Contract or tort based on negligence, strict liability or relating to Taxes payable by a Person in connection with compensatory payments to employees or independent contractors) and whether or not the same would be required by generally accepted principles and accounting policies to be reflected in financial statements or disclosed in the notes thereto.

"Losses" has the meaning given to such term in the Separation Agreement.

"Merger" has the meaning set forth in the recitals.

"Merger Agreement" has the meaning set forth in the recitals.

"Merger Sub" has the meaning set forth in the recitals.

"Net-Tax Basis" has the meaning set forth in Section 9.3(c).

"OPEB Plan" means health and welfare plans that provide post-employment welfare benefits (*i.e.*, any retiree medical, dental, vision and/or life benefits) and, when immediately preceded by "Entergy," means any OPEB Plan maintained by any member of the Entergy Group and, when immediately preceded by "ITC," means any OPEB Plan maintained by any member of the ITC Group.

"Order" means any: (i) order, judgment, injunction, edict, decree, ruling, pronouncement, determination, decision, opinion, verdict, sentence, subpoena, writ or award issued, made, entered, rendered or otherwise put into effect by or under the authority of any court, administrative agency or other Governmental Authority or any arbitrator or arbitration panel or (ii) Contract with any Governmental Authority entered into in connection with any Action.

"Participating Company" means Entergy or any Person (other than an individual) participating in an Entergy Benefit Arrangement.

"Party" or "Parties" has the meaning set forth in the preamble.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a Governmental Authority.

"Retained Employee" means, subject to Section 2.10, any individual identified on Exhibit A and up to twenty-five (25) additional individuals as agreed by ITC and Entergy in writing before the Closing Date (such that such individuals shall not be TransCo Employees).

"Separation Agreement" has the meaning set forth in the recitals.

"Separation Date" has the meaning set forth in the Separation Agreement.

"Separation Time" has the meaning set forth in the Separation Agreement.

"Subsidiary" means, with respect to any Person, any corporation or other entity (including partnerships and other business associations and joint ventures) of which at least a majority of the voting power represented by the outstanding capital stock or other voting securities or interests having voting power under ordinary circumstances to elect directors or similar members of the governing body of such corporation or entity (or, if there are no such voting interests, fifty percent (50%) or more of the equity interests in such corporation or entity) shall at the time be held, directly or indirectly, by such Person.

"Tax" or "Taxes" means all taxes, charges, fees, levies, penalties or other assessments imposed by any federal, state, local, provincial or foreign taxing authority, including income, gross receipts, excise, real or personal property, sales, use, transfer, customs, duties, franchise, payroll, withholding, social security, receipts, license, stamp, occupation, employment, or any tax based upon, measured by or calculated with respect to the generation of electricity or other taxes, including any interest, penalties or additions attributable thereto, and any payments to any state, local, provincial or foreign taxing authorities in lieu of any such taxes, charges, fees, levies or assessments.

"Third-Party Claim" has the meaning set forth in Section 9.2(b).

"Third-Party Proceeds" has the meaning set forth in Section 9.4(a).

"TransCo" has the meaning set forth in the preamble.

"TransCo Benefit Arrangement" means any Benefit Arrangement sponsored, maintained or contributed to exclusively by one or more members of the TransCo Group.

"TransCo Employee" means, subject to Section 2.10, (i) any individual who is employed by a member of the Entergy Group as of immediately before the Closing Date and whose principal employment obligations relate to the Transmission Business (a current list of titles and locations for such individuals is set forth in Exhibit B), (ii) at least three hundred twenty-five (325) and up to three hundred fifty (350) individuals employed by any member of the Entergy Group in connection with both the Transmission Business and the electricity distribution businesses of Entergy as agreed by ITC and Entergy in writing before the Closing Date; (iii) at least forty (40) and up to eighty (80) individuals employed by any member of the Entergy Group in connection with corporate or shared services of Entergy as agreed by ITC and Entergy in writing before the Closing Date; provided, Entergy shall not be liable for any Losses if fewer than forty (40) individuals actually become employees of ITC or any member of the ITC Group as of the Closing Date and (iv) any other individuals employed as of immediately before the Closing Date by any member of the Entergy Group as agreed by ITC and Entergy in writing; provided, that in no event shall a Retained Employee be a TransCo Employee and in no event shall any individual receiving long-term disability benefits as of immediately before the Closing Date be treated as a TransCo Employee on or after the Closing Date; and provided, further, that any TransCo Employee who is on short-term disability leave or other Leave of Absence on the Closing Date shall become a TransCo Employee only if and when such TransCo Employee returns to active service for any member of the ITC Group within six (6) months following the Closing Date (or such longer period as required by Law).

"TransCo Group" means TransCo and each of the TransCo Subs. Each of the TransCo Subs shall be deemed to be members of the TransCo Group as of the Separation Time and at all times thereafter up to the Effective Time.

"TransCo Indemnitees" means TransCo, each member of the TransCo Group, ITC (from and after the Separation Time), and each of their respective successors and assigns, and all Persons who are or have been shareholders, directors, partners, managers, managing members, officers, agents or employees of any member of the TransCo Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns.

"Transmission Business" has the meaning set forth in the Separation Agreement.

"USERRA Leave" means a leave of absence in respect of which reemployment rights are protected under the Uniformed Services Employment and Reemployment Rights Act.

"VEBA" shall, when immediately preceded by "Entergy," mean, collectively, the Entergy Corporation Companies' Non-Bargaining Employees' Welfare Benefit Trust Agreement, the Entergy Corporation Companies' Bargaining Employees' Welfare Benefit Trust Agreement, and the Entergy Corporation Companies' Non-Bargaining Employees' Welfare Benefit Trust—Life Agreement, which are intended to be voluntary employees' beneficiary associations under Section

501(c)(9) of the Code and, when immediately preceded by "ITC," means the voluntary employees' beneficiary association trust or trusts maintained or to be established by ITC pursuant to Section 5.2(b)(i).

"VEBA True-Up Amount" has the meaning set forth in Section 5.2(b)(ii)(B).

Section 1.2 References; Interpretation. Unless the context otherwise requires:

(a) references in this Agreement to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, Exhibits and Schedules to, this Agreement;

(b) references in this Agreement to any time shall be to the then prevailing New York City, New York time unless otherwise expressly provided herein; and

(c) references to an individual as an "Employee" are descriptive only and are not necessarily intended to mean that an individual is in fact an employee of any Party.

Section 1.3 Relation to Other Documents. To the extent there is any inconsistency between this Agreement and the terms of another agreement pertaining to the Separation or Merger (other than any Collective Bargaining Agreement) that is the subject of this Agreement and such inconsistency (i) arises in connection with or as a result of employment with or the performance of services before or after the Separation for any member of the Entergy Group, TransCo Group or ITC Group and (ii) relates to the allocation of Liabilities attributable to the employment, service, termination of employment or termination of service of all present or former Entergy employees or TransCo Employees or any of their dependents and beneficiaries (and any alternate payees in respect thereof) and other service providers (including any individual who is, or was or is determined to be an independent contractor, temporary employee, temporary service worker, consultant, freelancer, agency employee, leased employee, on-call worker, incidental worker, or non-payroll worker or in any other employment, non-employment, or retainer arrangement, or relationship with any member of the Entergy Group or the TransCo Group), the terms of this Agreement shall prevail.

ARTICLE II

GENERAL PRINCIPLES

Section 2.1 Assumption and Retention of Liabilities; Related Assets.

(a) Effective as of the Separation Time, except as otherwise expressly provided for in this Agreement, Entergy shall, or shall cause one or more members of the Entergy Group to, assume or retain, as applicable, and pay, perform, fulfill and discharge, in due course in full (i) all Liabilities under all Entergy Benefit Arrangements which exist as of the Separation Time, (ii) all Liabilities with respect to the employment, service, termination of employment or termination of service of all employees (other than TransCo Employees) of any member of the Entergy Group or TransCo Group and their dependents and beneficiaries (and any alternate payees in respect thereof)

and other service providers (including any individual who is, or was, or is determined to be an independent contractor, temporary employee, temporary service worker, consultant, freelancer, agency employee, leased employee, on-call worker, incidental worker, or non-payroll worker or in any other employment, non-employment, or retainer arrangement, or relationship with any member of the Entergy Group or TransCo Group), in each case to the extent such Liability arose in connection with or as a result of employment with any member of the Entergy Group or TransCo Group before, at or after the Separation Time or the performance of services for any member of the Entergy Group or TransCo Group before the Separation Time and (iii) any other Liabilities or obligations expressly assigned to Entergy or any of its Affiliates under this Agreement.

(b) Effective as of the Separation Time, except as otherwise expressly provided for in this Agreement but notwithstanding the provisions of Section 2.1(a), TransCo shall, or shall cause one or more members of the TransCo Group to, assume or retain, as applicable, and pay, perform, fulfill and discharge, in due course in full (i) all Liabilities with respect to the employment, service, termination of employment or termination of service of all TransCo Employees and their dependents and beneficiaries (and any alternate payees in respect thereof) and other service providers (including any individual who is, or was, or is determined to be an independent contractor, temporary employee, temporary service worker, consultant, freelancer, agency employee, leased employee, on-call worker, incidental worker, or non-payroll worker or in any other employment, non-employment, or retainer arrangement, or relationship with any member of the TransCo Group), in each case to the extent such Liability arose in connection with or as a result of employment with or the performance of services for any member of the Entergy Group, TransCo Group or ITC Group before, at or after the Separation Time, including, in respect of individuals who do not become TransCo Employees until after the Effective Time because they are on Leave of Absence as of the Effective Time, all such Liabilities that arose after the Effective Time, (ii) all Liabilities with respect to the employment, service, termination of employment or termination of service of all individuals who are not TransCo Employees but where (and to the extent) the act or omission giving rise to such Liability arose while such individual was employed in or providing services to the Transmission Business and (iii) any other Liabilities or obligations expressly assigned to TransCo or any of its Affiliates under this Agreement.

(c) From time to time after the Separation Time, the Parties shall promptly reimburse one another, upon reasonable request of the Party requesting reimbursement and the presentation by such Party of such substantiating documentation as the other Party shall reasonably request, for the cost of any obligations or Liabilities satisfied or assumed by the Party requesting reimbursement or its Affiliates that are, or that have been made pursuant to this Agreement, the responsibility of the other Party or any of its Affiliates. Any such reimbursement shall be on a fair-market-value, arm's-length basis.

(d) Subject to applicable Law, Entergy shall retain responsibility for all employee-related regulatory filings for reporting periods ending at or prior to the Effective Time except for Equal Employment Opportunity Commission EEO-1 reports and affirmative action program (AAP) reports and responses to Office of Federal Contract Compliance Programs (OFCCP) submissions, for which Entergy shall provide data and information (to the extent permitted by applicable Laws and consistent with Section 10.1) to TransCo, which shall be responsible for making such filings in respect of TransCo Employees.

(e) Entergy shall be the responsible party for preparing and timely filing or causing to be prepared and timely filed all Employment Tax Returns of any member of the Entergy Group. Entergy shall be liable for all Employment Taxes due on any such Employment Tax Return. Entergy, at its sole expense, shall have exclusive control over the conduct and resolution of any audit, litigation, contest, dispute, or other proceeding relating to Employment Taxes of any member of the Entergy Group. TransCo shall be the responsible party for preparing and timely filing or causing to be prepared and timely filed all Employment Tax Returns of any member of the TransCo Group with respect to periods (or portions thereof) following the Distribution Date. TransCo shall be liable for all Employment Taxes due on any such Employment Tax Return. TransCo, at its sole expense, shall have exclusive control over the conduct and resolution of any audit, litigation, context, dispute, or other proceeding relating to Employment Taxes of the TransCo Group.

Section 2.2 Treatment of Compensation and Benefit Arrangements. Unless otherwise required by a Collective Bargaining Agreement, for a period of at least thirty-six (36) months following the Closing Date, ITC shall (i) provide or shall cause to be provided to each TransCo Employee cash compensation opportunities that are substantially comparable to the cash compensation opportunities provided to such TransCo Employee immediately before the Closing Date and (ii) provide TransCo Employees with employee benefits with a substantially comparable value in the aggregate and (exclusive of nonqualified deferred compensation benefits provided under the Entergy NQDCP and equity compensation benefits) with a substantially comparable value for each kind of benefit (it being understood that the “kind” of a benefit refers to the general type of benefit—such as qualified pension, qualified savings, medical, dental, life, vision, short-term disability, long-term disability, AD&D, retiree welfare, vacation, other paid time off and fringe—without regard to the form in which such benefit is provided or the individual choices made available) in relation to the benefits provided to such TransCo Employee immediately before the Closing Date; provided, that for the thirty-six (36) months following the Closing Date ITC shall provide severance benefits to TransCo Employees not covered by Collective Bargaining Agreements with a value no less than those described on Schedule B.

Section 2.3 Participation in Entergy Benefit Arrangements. Except as otherwise expressly provided for in this Agreement or as otherwise expressly agreed to in writing between the Parties, (i) effective as of the Effective Time, TransCo and each member of the TransCo Group, to the extent applicable, shall cease to be a Participating Company in any Entergy Benefit Arrangement and (ii) each TransCo Participant, effective as of the Effective Time, shall cease to participate in, be covered by, accrue benefits under, be eligible to contribute to or have any rights under any Entergy Benefit Arrangement (except to the extent of obligations that accrued before the Effective Time and that remain a Liability of any member of the Entergy Group pursuant to this Agreement), and Entergy and TransCo shall take all necessary action to effectuate each such cessation. Entergy shall cause there to be no TransCo Benefit Arrangement (and therefor no Liability under any TransCo Benefit Arrangement) at any time before the Effective Time.

Section 2.4 Service Recognition. Effective as of the Closing Date ITC shall, and shall cause each member of the ITC Group to, give each TransCo Employee full credit for purposes of eligibility, vesting, determination of level of benefits, and, to the extent applicable,

benefit accruals and benefit subsidies under any ITC Benefit Arrangement for such individuals' service with any member of the Entergy Group or TransCo Group or any predecessor thereto prior to the Closing Date, to the same extent such service was recognized by the applicable Entergy Benefit Arrangement immediately prior to the Closing Date; provided, that, such service shall not be recognized to the extent such recognition would result in the duplication of benefits. In addition, and without limiting the generality of the foregoing provisions of this Section 2.4, (i) ITC shall cause each TransCo Employee to be immediately eligible to participate, without any waiting time, in any and all ITC Benefit Arrangements to the extent coverage under the ITC Benefit Arrangement is comparable to an Entergy Benefit Arrangement in which the TransCo Employee participated immediately before the Closing Date and (ii) for purposes of each ITC Benefit Arrangement providing medical, dental, pharmaceutical or vision benefits to any TransCo Employee, ITC shall cause all pre-existing condition exclusions and actively-at-work requirements of such ITC Benefit Arrangement to be waived for such employee and his or her covered dependents, except to the extent such conditions would not have been waived under the comparable Entergy Benefit Arrangement in which such employee participated immediately prior to the Closing Date, and ITC shall cause any eligible expenses incurred by such employee and his or her covered dependents during the portion of the plan year of the Entergy Benefit Arrangement ending on the date such employee's participation in the corresponding ITC Benefit Arrangement begins to be taken into account under such ITC Benefit Arrangement for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with the ITC Benefit Arrangement. At Closing and from time to time thereafter as is reasonably necessary, Entergy shall provide ITC with such Information as is necessary to make the proper calculations necessary to comply with the foregoing obligations.

Section 2.5 Collective Bargaining Agreements. Notwithstanding anything in this Agreement to the contrary, prior to the Closing Date Entergy and TransCo shall take or cause to be taken actions that are necessary (if any) for TransCo or a member of the TransCo Group to continue to maintain or to assume and honor (even where otherwise inconsistent with the terms of this Agreement), effective with respect to any respective TransCo Employee as of the time such TransCo Employee becomes employed by a member of the TransCo Group, any Collective Bargaining Agreements and any pre-existing collective bargaining relationships (in each case including obligations that arise in respect of the period both before and after the date of employment by the TransCo Group) to the maximum extent allowable by Law. After the Closing Date, ITC shall cause TransCo or a member of the TransCo Group to continue to maintain or to assume and honor (even where otherwise inconsistent with the terms of this Agreement) such Collective Bargaining Agreements and any pre-existing collective bargaining relationships (in each case including obligations that arise in respect of the period both before and after the date of a TransCo Employee's employment by the TransCo Group) to the maximum extent allowable by Law. Entergy warrants and represents that no TransCo Employee who is subject to a Collective Bargaining Agreement is represented by a union local that is not party to one of the agreements listed on Schedule A. Nothing in this Agreement is intended to alter the provisions of any Collective Bargaining Agreement or modify in any way the obligations of the Entergy Group or the TransCo Group to any person or union as described in such agreement. Consistent with its obligations under applicable Law and the Collective Bargaining Agreements, Entergy will inform ITC as to the progress of negotiations for the renewal of any Collective Bargaining Agreement or any new Collective Bargaining Agreement prior to the Closing Date.

Section 2.6 No Acceleration of Benefits. Except as otherwise provided in this Agreement, no provision of this Agreement shall be construed to create any right, or accelerate vesting or entitlement, to any compensation or benefit whatsoever on the part of any TransCo Employee or other former, current or future employee of the Entergy Group or TransCo Group under any Benefit Arrangement of the Entergy Group or TransCo Group.

Section 2.7 Amendment Authority. Except as otherwise provided in this Agreement, nothing in this Agreement is intended to prohibit any member of the Entergy Group, TransCo Group or ITC Group from amending or terminating any employee benefit plans, policies and compensation programs at any time on or after the Separation Date.

Section 2.8 No Commitment to Employment or Benefits. Nothing contained in this Agreement shall be construed as a commitment or agreement on the part of any person to continue employment with the Entergy Group, TransCo Group or ITC Group or, except as otherwise provided in this Agreement, as a commitment on the part of the Entergy Group, TransCo Group or ITC Group to continue the employment, compensation, or benefits of any person for any period or to provide any recall or similar rights to an individual on layoff or any type of Leave of Absence. This Agreement is solely for the benefit of the Entergy Group, TransCo Group and ITC Group and, except to the extent otherwise expressly provided herein, nothing in this Agreement, express or implied, is intended to confer any rights, benefits, remedies, obligations or Liabilities under this Agreement upon any Person, including any TransCo Employee or other current or former employee, officer, director or contractor of the Entergy Group, TransCo Group or ITC Group, other than the Parties and their respective successors and assigns.

Section 2.9 Certain Employment Transfers. Entergy shall cause each TransCo Employee to be employed by a member of the TransCo Group immediately before the Effective Time and not earlier. To the extent that any TransCo Employee will not automatically become an employee of a member of the ITC Group as of the Effective Time by reason of the Merger, Entergy agrees to cause the employment of such TransCo Employee to be transferred to the appropriate member of the TransCo Group, and the appropriate member of the ITC Group agrees to cause the appropriate member of the TransCo Group to accept the employment obligations of such TransCo Employee, as of the Effective Time as otherwise provided in this Agreement.

Section 2.10 Identification of Retained/TransCo Employees. The provisions of this Section 2.10 shall apply notwithstanding the provisions of Section 11.15 or Article X of the Separation Agreement. To facilitate the identification of Retained Employees and TransCo Employees, the Parties agree to establish an integration team not later than three (3) months following the date hereof consisting from time to time of eight individuals (or such other number as agreed by Entergy and ITC), one half of whom are employees of a member of the Entergy Group as designated by the chief human resources officer of Entergy and one half of whom are employees of a member of the ITC Group as designated by the chief human resources officer of ITC. Such integration team shall work in good faith to resolve any dispute regarding the identity of Retained Employees and TransCo Employees with a goal of providing (i) TransCo with sufficient operational and management employees (together with employees of the ITC Group) to operate and manage the Transmission Business on a reasonable basis and (ii) Entergy with sufficient operational and management employees to operate and manage the its remaining business on a reasonable basis. To the extent such integration team is unable to agree on the

identify of Retained Employees or TransCo Employees not later than eighteen (18) months following the date hereof (or if earlier, thirty (30) days prior to the anticipated Distribution Date), the respective chief human resources officers of Entergy and ITC shall act in good faith to resolve such disagreement not later than the Closing Date; provided, that in the event they are unable to so agree, the chief human resources officer of Entergy shall, in good faith and in accordance with the principles set forth in this Agreement, make the final determination. Notwithstanding the foregoing provisions of this Section 2.10 or the definition of “TransCo Employee” or “Retained Employee” to the contrary, the identification of TransCo Employees shall be made subject to and in accordance with the provisions of any applicable collective bargaining obligation and Collective Bargaining Agreement and otherwise in accordance with applicable Law.

ARTICLE III

QUALIFIED DEFINED BENEFIT PLANS

Section 3.1 Participation of TransCo in the Entergy Retirement Plan. Effective not later than the Separation Date, Entergy shall have caused the Entergy Bargaining Retirement Plan and the Entergy Nonbargaining Retirement Plan to permit TransCo Employees to continue to participate therein during the period (if any) beginning on the Separation Date and ending immediately before the Closing Date in respect of each TransCo Employee who participated therein immediately before the Separation Date. Subject to any applicable collective bargaining obligation, Entergy shall cause each TransCo Employee to become fully vested under the Entergy Bargaining Retirement Plan and the Entergy Nonbargaining Retirement Plan, as applicable, as of the date on which such TransCo Employee ceases to be employed by the Entergy Group (which, generally, will be the Closing Date).

Section 3.2 Retirement Plan.

(a) Effective as of the Closing Date, ITC shall, or shall have caused one or more members of the ITC Group to, establish or maintain a defined benefit pension plan or plans and related trust or trusts to provide retirement pension benefits to TransCo Employees who immediately prior to the Closing Date were participants, whether or not vested, under, the Entergy Bargaining Retirement Plan or Entergy Nonbargaining Retirement Plan, respectively (such defined benefit pension plan or plans, the “ITC Retirement Plan”). ITC shall be responsible for taking all necessary, reasonable and appropriate action to establish, maintain and administer the ITC Retirement Plan so that it is qualified under Section 401(a) of the Code and that the related trust thereunder is exempt under Section 501(a) of the Code, and as soon as reasonably practicable following the Closing Date ITC shall take all steps reasonably necessary to obtain a favorable determination from the IRS as to such qualification if one is not then applicable to the ITC Retirement Plan.

(b) The ITC Retirement Plan shall, as of the Closing Date, have terms that are substantially identical to the terms of the Entergy Bargaining Retirement Plan and the Entergy Nonbargaining Retirement Plan, respectively with respect to the participants thereunder; provided, that all benefits provided to a TransCo Employee (and any beneficiary thereof) pursuant to the ITC Retirement Plan from time to time shall be reduced by the amount payable in respect of the

Entergy Bargaining Retirement Plan or the Entergy Nonbargaining Retirement Plan (or any successor thereto, including any payments made by the PBGC with respect thereto) to such TransCo Employee.

ARTICLE IV

QUALIFIED DEFINED CONTRIBUTION PLANS

Section 4.1 Participation of TransCo in the Entergy Savings Plan; Vesting. Effective not later than the Separation Date, Entergy shall have caused the Entergy Savings Plan to permit TransCo Employees to continue to participate therein during the period (if any) beginning on the Separation Date and ending immediately before the Closing Date in respect of each TransCo Employee who participated therein immediately before the Separation Date. Subject to any applicable collective bargaining obligation, Entergy shall cause each TransCo Employee to become fully vested in such TransCo Employee's account balances under the Entergy Savings Plan as of the date on which such TransCo Employee ceases to be employed by the Entergy Group (which, generally, will be the Closing Date).

Section 4.2 ITC Savings Plan. Effective as of the Closing Date, ITC shall, or shall have caused one or more members of the ITC Group to, establish or maintain a defined contribution savings plan or plans and related trust or trusts intended to satisfy the requirements of Sections 401(a) and 401(k) of the Code (such defined contribution savings plan or plans, the "ITC Savings Plan"). ITC shall be responsible for taking all necessary, reasonable, and appropriate action to establish, maintain and administer the ITC Savings Plan so that it is qualified under Section 401(a) of the Code, that it satisfies the requirements of Section 401(k) of the Code and that the related trust thereunder is exempt under Section 501(a) of the Code, and as soon as reasonably practicable following the Closing Date ITC shall take all steps reasonably necessary to obtain a favorable determination from the IRS as to such qualification if one is not then applicable to the ITC Savings Plan. ITC shall be responsible for any and all Liabilities (including Liability for funding) and other obligations with respect to the ITC Savings Plan.

Section 4.3 Transfer of Plan Assets and Liabilities. As soon as practicable following the Effective Time, Entergy shall cause any and all accounts of TransCo Employees under the Entergy Savings Plan, and the value of the assets attributable to such accounts, to be transferred to the ITC Savings Plan in a "transfer of assets or liabilities" in accordance with Section 414(l) of the Code. Entergy shall effectuate at least one subsequent transfer no later than seven (7) months following the Effective Time with respect to any individuals who become TransCo Employees after the Effective Time. The assets to be transferred shall be transferred in-kind (except as a third-party administrator may otherwise require other than with respect to Entergy Common Stock or ITC Common Stock), including as applicable in the form of promissory notes evidencing plan loans, Entergy Common Stock and ITC Common Stock. ITC shall cause the administrator of, and the trustee of the trust established under, the ITC Savings Plan to accept such transfer, subject to applicable Law. Prior to the transfer, Entergy and ITC or their respective Affiliates shall notify the IRS of the transfer by timely filing Forms 5310-A, to the extent such filings are required.

Section 4.4 Stock Considerations. ITC shall (i) cause the ITC Savings Plan to provide that all shares of Entergy Common Stock transferred to the ITC Savings Plan in connection with Section 4.3 shall, to the extent still held under the ITC Savings Plan, be maintained under the ITC Savings Plan in compliance with all requirements of ERISA and applicable securities laws, (ii) except to the extent inconsistent with the requirements of ERISA, cause any fiduciary responsible for evaluating the continued propriety of investment in Entergy Common Stock under the ITC Savings Plan (exclusive of any TransCo Employee) not to require a divestiture of Entergy Common Stock under the ITC Savings Plan before the date that is one trading day prior to the later of (x) six (6) months following the Closing Date or (y) solely if approved by the FERC, twelve (12) months following the Closing Date, and (iii) except to the extent it would cause a violation of applicable Law, cause the ITC Savings Plan to permit any TransCo Employee to hold Entergy Common Stock under the ITC Savings Plan until the date that is one trading day prior to the later of (x) six (6) months following the Closing Date or (y) solely if approved by the FERC, twelve (12) months following the Closing Date.

ARTICLE V

HEALTH AND WELFARE PLANS

Section 5.1 Health and Welfare Plan Participation. Effective not later than the Separation Date, Entergy shall have caused the Entergy Welfare Plans to permit TransCo Employees to continue to participate therein during the period (if any) beginning on the Separation Date and ending immediately before the Closing Date in respect of each TransCo Employee who participated therein immediately before the Separation Date. Effective as of the Closing Date, ITC shall, or shall cause an Affiliate to, establish or maintain health and welfare plans for the benefit of TransCo Employees (collectively, the "ITC Welfare Plans").

Section 5.2 ITC Retiree Welfare Benefits.

(a) Maintenance of Post-Retirement Welfare Plans. Notwithstanding anything in Section 2.2 to the contrary and unless otherwise required by a Collective Bargaining Agreement, (i) ITC shall not commingle funds transferred to the ITC VEBA in accordance with Section 5.2(b)(ii) with any other funds or apply the funds transferred to the ITC VEBA in accordance with Section 5.2(b)(ii) for purposes other than the funding of benefits under one or more OPEB Plans with terms substantially comparable to those in effect under the Entergy OPEB Plan immediately before the Closing Date for the benefit of TransCo Employees (and their beneficiaries) who, immediately before the Closing Date, were receiving such benefits or eligible for them upon satisfaction of applicable eligibility criteria and (ii) for the thirty-six (36) month period following the Closing Date (or, if later, until exhaustion of the funds transferred to the ITC VEBA in accordance with Section 5.2(b)(ii)), ITC shall maintain OPEB Plans with terms substantially comparable to those in effect under the Entergy OPEB Plan immediately before the Closing Date for the benefit of TransCo Employees who, immediately before the Closing Date, were receiving such benefits or eligible for them upon satisfaction of applicable eligibility criteria and shall not amend or terminate such OPEB Plans. Effective as of the Closing Date, ITC shall assume or shall cause a member of the ITC Group to assume, and neither Entergy nor any member of the Entergy

Group shall have any obligation whatsoever with regard to, all obligations and Liabilities under any Entergy OPEB Plan for benefits in respect of TransCo Employees.

(b) Transfer of VEBA Assets.

(i) Establishment of ITC VEBA. Effective not later than the Closing Date (or such later time as mutually agreed by Entergy and ITC), ITC shall adopt the ITC VEBA in a form that is substantially comparable to the Entergy VEBA as in effect immediately before the Closing Date and shall cause the ITC VEBA to qualify under Section 501(c)(9) of the Code.

(ii) VEBA Asset Allocations and Transfers. Prior to the Closing Date (or such later time as mutually agreed by Entergy and ITC), Entergy shall cause the Entergy Actuary to determine the estimated value, as of the Closing Date, of the Assets to be transferred to the ITC VEBA in accordance with the assumptions and valuation methodology set forth on Exhibit 5.2(b)(ii) (the "Estimated Entergy VEBA Transfer Amount"). In no event shall any Assets be transferred with respect to any individual who is on a Leave of Absence on the Closing Date, whether or not such individual later becomes a TransCo Employee.

(A) Initial Transfer. Not later than ten (10) Business Days following the Closing Date (or such later time as mutually agreed by Entergy and ITC), Entergy and ITC shall cooperate in good faith to cause an initial transfer of Assets (as determined by Entergy in its discretion, in either (x) cash or (y) in kind, with AA-rated or better cash-like securities or other cash equivalents) from the Entergy VEBA to the ITC VEBA in an amount equal (as determined in the discretion of Entergy) to not less than ninety percent (90%) and not more than ninety-five percent (95%) of the Estimated Entergy VEBA Transfer Amount (such amount, the "Initial ITC VEBA Transfer Amount").

(B) True-Up Transfer. Within ninety (90) days (or such later time as mutually agreed by Entergy and ITC) following the Closing Date (and in any event following the transfer described in subsection (b)(ii)(A) above), Entergy shall cause the Entergy Actuary to calculate the value of the Assets credited under the Entergy VEBA as of the Closing Date in respect of the TransCo Employees using the assumptions and valuation methodology set forth on Exhibit 5.2(b)(ii) (the "Proposed Actual Entergy VEBA Transfer Amount") and provide the Proposed Actual Entergy VEBA Transfer Amount to ITC for review. The ITC Actuary shall have forty-five (45) days to review such Proposed Actual Entergy VEBA Transfer Amount and shall have access to all data used by the Entergy Actuary to make its proposed calculations. If the ITC Actuary disagrees with the Proposed Actual Entergy VEBA Transfer Amount, the Entergy Actuary and the ITC Actuary shall work together in good faith for thirty (30) days to agree on the Proposed Actual Entergy VEBA Transfer Amount. If they cannot so agree within the thirty (30) day period, then the Entergy Actuary and the ITC Actuary shall select another actuary to calculate the Proposed Actual Entergy VEBA Transfer Amount. The conclusion of such other actuary, which shall be rendered within 30 days, or the agreed amount between the ITC Actuary and Entergy Actuary (as the case may be) shall constitute the "Actual Entergy VEBA Transfer Amount." Within one hundred eighty (180) days (or such later time as mutually agreed by Entergy and ITC) following the Closing Date (and in any event following the transfer described in subsection (b)(ii)(A) above), Entergy shall cause the Entergy VEBA to transfer to the ITC VEBA

an amount (as determined by Entergy in its discretion, in either (x) cash or (y) in kind, with AA-rated or better cash-like securities or other cash equivalents), equal to (I) the Actual Entergy VEBA Transfer Amount minus (II) the Initial ITC VEBA Transfer Amount (such difference, as adjusted as described below, the "VEBA True-Up Amount"); provided, that, in the event the VEBA True-Up Amount is negative, Entergy shall not be required to cause any such additional transfer and instead ITC shall be required to cause a transfer of cash, cash-like securities or other cash equivalents (or, if determined by ITC in its discretion, Assets in kind) from the ITC VEBA to the Entergy VEBA in an amount equal to the absolute value of the VEBA True-Up Amount. The Parties acknowledge that the Entergy VEBA's transfer of the VEBA True-Up Amount to the ITC VEBA shall be in full settlement and satisfaction of the obligations of Entergy to cause the transfer of, and the Entergy VEBA to transfer, Assets to the ITC VEBA pursuant to this Section 5.2(b)(ii). The VEBA True-Up Amount shall be paid from the Entergy VEBA to the ITC VEBA, as determined by Entergy in its discretion in kind, in cash, cash-like securities or other cash equivalents, and shall be adjusted in respect of the period from the Closing Date to the date of transfer of the VEBA True-Up Amount. Such adjustment shall be based on the methodology set forth on Exhibit 5.2(b)(ii). In the event that ITC is obligated to cause the ITC VEBA to reimburse the Entergy VEBA pursuant to this Section 5.2(b)(ii), such reimbursement shall be performed in accordance with the same principles set forth herein with respect to the payment of the VEBA True-Up Amount. The Parties acknowledge that the ITC VEBA's transfer of such reimbursement amount to the Entergy VEBA shall be in full settlement and satisfaction of the obligations of ITC to cause the transfer of, and the ITC VEBA to transfer, Assets to the Entergy VEBA pursuant to this Section 5.2(b)(ii).

Section 5.3 Reimbursement Account Plans. Effective as of the Closing Date ITC shall have established a health and dependent care reimbursement account plan (the "ITC Reimbursement Account Plan") with features substantially similar to those contained in the Entergy Corporation Companies Benefits Plus Reimbursement Plan (or any successor thereto) as in effect immediately prior to the Closing Date (the "Entergy Reimbursement Account Plan"). ITC shall assume responsibility for administering under the ITC Reimbursement Account Plan all reimbursement claims of TransCo Employees with respect to the period before, on and after the Closing Date. No more than forty-five (45) days following the Closing Date (or such later time as mutually agreed by Entergy and ITC), (A) Entergy shall cause to be transferred to ITC an amount in cash, cash-like securities or other cash equivalents equal to the excess, if any, of all contributions to the Entergy Reimbursement Account Plan made with respect to the calendar year in which the Closing occurs (and, if the transfer occurs in any calendar year before April 1, the preceding calendar year) by or on behalf of any TransCo Employee prior to the Closing Date over the amount previously distributed to the TransCo Employees under the Entergy Reimbursement Account Plan for the calendar year in which the Closing occurs (and, if the transfer occurs in any calendar year before April 1, the preceding calendar year), and (B) ITC shall cause to be transferred to Entergy an amount in cash, cash-like securities or other cash equivalents equal to the excess, if any, of the amount previously distributed to the TransCo Employees under the Entergy Reimbursement Account Plan for the calendar year in which the Closing occurs (and, if the transfer occurs in any calendar year before April 1, the preceding calendar year) over all contributions to the Entergy Reimbursement Account Plan made with respect to the calendar year in which the Closing occurs (and, if the transfer occurs in any calendar year before April 1, the preceding calendar year) by or on behalf of any TransCo Employee prior to the Closing Date.

Section 5.4 Certain Liabilities.

(a) Insured Benefits. With respect to employee welfare and fringe benefits that are provided through the purchase of insurance, Entergy shall timely pay all premiums in respect of coverage of TransCo Employees in respect of the period before the Closing Date, and ITC shall cause Entergy not to have any Liability in respect of any and all claims of TransCo Employees that are incurred under the ITC Welfare Plans on or after the Closing Date.

(b) Self-Insured Benefits. Except to the extent otherwise provided in Section 5.4(c), with respect to employee welfare and fringe benefits that are provided on a self-insured basis, (i) Entergy shall fully perform, pay and discharge, under the Entergy Welfare Plans, all claims of TransCo Employees that are incurred but not paid prior to the Closing Date and (ii) ITC shall fully perform, pay and discharge, under the ITC Welfare Plans, from and after the Closing Date, all claims of TransCo Employees that are incurred on or after the Closing. For purposes of this Section 5.4(b), a claim or Liability is deemed to be incurred: with respect to medical, dental, vision and/or prescription drug benefits, upon the rendering of health services giving rise to such claim or Liability; with respect to life insurance, accidental death and dismemberment and business travel accident insurance, upon the occurrence of the event giving rise to such claim or Liability; and with respect to disability benefits, upon the date of an individual's disability, as determined by the disability benefit insurance carrier or claim administrator, giving rise to such claim or Liability.

(c) Special Prescription Drug Rules. With respect to Entergy's prescription drug program, (i) Entergy shall retain any prescription drug rebate or settlement from any medical claim administrator, pharmaceutical company or insurer regardless of the date of payment to the extent they are associated with claims that are incurred prior to the Closing Date, and (B) Entergy shall retain any Medicare Part D subsidy by the federal government regardless of the date of payment to the extent they are associated with claims that are incurred prior to the Closing Date.

Section 5.5 Time-Off Benefits. Unless otherwise required in a Collective Bargaining Agreement, (i) ITC shall credit (or continue to credit) each TransCo Employees as of the Closing Date with the amount of accrued but unused vacation time, paid time off and other time-off benefits as such TransCo Employee had with the Entergy Group or the TransCo Group as of immediately before the Closing Date, (ii) ITC shall cause each TransCo Employee to be eligible to use on or before March 31 of the year following the Closing Date any accrued but unused vacation time, paid time off and other time-off benefits as such TransCo Employee had with the Entergy Group or the TransCo Group as of immediately before the Closing Date to the extent in excess of the amount that would have been available to the TransCo Employee had the TransCo Employee's service with Entergy or any member of the Entergy Group been treated as service with ITC, (iii) ITC may cause each TransCo Employee to forfeit any excess amount not used in accordance with the foregoing clause (ii), and (iv) as of the Closing Date, each TransCo Employee shall be subject to ITC's vacation policies (pro-rated as of the Closing Date for the year in which the Closing occurs); provided, however, that ITC shall provide Transco Employees with credit for employment service with Entergy or any member of the Entergy Group for purposes of determining each TransCo Employee's eligibility for and future accruals of vacation days under ITC's vacation policy.

ARTICLE VI

EXECUTIVE BENEFIT PLANS

Section 6.1 Non-Qualified Deferred Compensation Plans. Effective as of the Closing Date and to the extent not prohibited by the terms of the Entergy NQDCPs, ITC shall establish or maintain one or more nonqualified deferred compensation plans and cause such plan or plans to assume responsibility for all Liabilities and fully perform, pay and discharge all obligations, when such obligations become due, of the Entergy NQDCP with respect to all TransCo Employees identified on Exhibit C who are participants therein immediately before the Closing Date. Entergy shall retain responsibility for all Liabilities and fully perform, pay and discharge all obligations, when such obligations become due, under the Entergy NQDCP or any other nonqualified deferred compensation plan maintained by Entergy or any member of the Entergy Group with respect to all other TransCo Employees who are participants therein immediately before the Closing Date.

Section 6.2 Separation is Not Distributable Event. The Parties acknowledge that, for purposes of the Entergy NQDCP, neither the Separation nor the Merger nor any transfers of employment incident thereto shall result in a distributable event under the Entergy NQDCP. ITC shall notify Entergy promptly following the termination of employment with ITC (or any member of the ITC Group) of all TransCo Employees (exclusive of those identified on Exhibit C) who are participants in the Entergy NQDCP, provided that Entergy provides a list of such TransCo Employee participants to ITC (and then-current account balance estimates) at the Closing.

Section 6.3 No Transfer of Assets Attributable to Entergy NQDCP. There shall be no transfer of Assets to ITC or any of its Affiliates (or to any trust maintained by any of them or to or in respect of any nonqualified deferred compensation plan maintained by any member of the ITC Group) in respect of Liabilities under the Entergy NQDCP or any other nonqualified deferred compensation plan maintained by Entergy or any member of the Entergy Group.

ARTICLE VII

EQUITY INCENTIVE AWARDS

Section 7.1 Treatment of Outstanding Entergy Options. Each Entergy Option shall, as of the Effective Time automatically and without any action on the part of the holder thereof, be converted into an ITC Option in accordance with the succeeding paragraphs of this Section 7.1. The number of shares subject to the ITC Option shall be equal to the number of shares of Entergy Common Stock subject to the Entergy Option multiplied by the Equity Exchange Ratio, with the resulting number of shares subject to the ITC Option being rounded down to the nearest whole share. The per share exercise price of the ITC Option shall be equal to (1) the per share exercise price of the Entergy Option immediately prior to the Closing Date divided by the Equity Exchange Ratio, which amount shall be rounded up to the nearest whole cent. Except as otherwise provided herein, the terms and conditions applicable to the ITC Options shall be substantially identical to the terms and conditions applicable to the corresponding Entergy Option, including the terms and conditions relating to vesting and the post-termination exercise period (as set forth in the

applicable plan, award agreement or in the option holder's then applicable employment agreement with Entergy or its Affiliates, which terms shall remain in effect even after the expiration or termination of such employment agreement). To the extent that Section 409A or 421(a) of the Code applies to any Entergy Option, the adjustments described in this Section 7.1 will be subject to such modifications, as any, as are required to cause the adjustment contemplated by this Section 7.1 to be made in a manner consistent with Section 409A or 421(a) of the Code, as applicable.

Section 7.2 Treatment of Outstanding Entergy Restricted Stock. Each share of Entergy Restricted Stock shall, as of the Effective Time automatically and without any action on the part of the holder thereof, be converted into a number of shares of ITC Common Stock equal to the Equity Exchange Ratio subject to restrictions substantially identical to those that applied to the Entergy Restricted Stock immediately before the Closing Date.

Section 7.3 Treatment of Outstanding Entergy Restricted Stock Units. Each Entergy Restricted Stock Unit shall, as of the Effective Time automatically and without any action on the part of the holder thereof, be converted into a number of ITC Restricted Stock Units equal to the Equity Exchange Ratio subject to restrictions and other terms and conditions terms and conditions substantially identical to those that applied to the Entergy Restricted Stock Units immediately before the Closing Date.

Section 7.4 SEC Registration. As soon as practicable following the Effective Time, ITC shall prepare and file with the SEC a registration statement on Form S-8 (or another appropriate form) registering shares of ITC Common Stock subject to issuance upon the exercise of the ITC Options and substitute restricted shares and restricted stock units in respect of ITC Common Stock issuable in accordance with the provisions of this ARTICLE VII. Entergy shall cooperate with and assist ITC in the preparation of such registration statement. ITC shall keep such registration statement effective (and maintain the current status of the prospectus required thereby) for so long as any ITC Options or such substitute restricted shares or restricted stock units in respect of ITC Common Stock remain outstanding.

Section 7.5 Savings Clause. The Parties hereby acknowledge that the provisions of this ARTICLE VII are intended to achieve certain Tax, legal and accounting objectives and, in the event such objectives are not achieved, the Parties agree to negotiate in good faith regarding such other actions that may be necessary or appropriate to achieve such objectives.

ARTICLE VIII

ADDITIONAL COMPENSATION MATTERS

Section 8.1 Workers' Compensation Liabilities. Effective as of the Closing Date, ITC shall assume all Liabilities (other than any Liabilities related to medical or other similar services performed, or compensation in respect of lost work for periods, prior to the Closing Date) for TransCo Employees related to any and all workers' compensation claims and coverage, whether arising under any law of any state, territory, or possession of the U.S. or the District of Columbia, and arising on or after the Closing Date, and ITC shall be fully responsible for the administration of all such claims. If ITC is unable to assume any such Liability or the

administration of any such claim because of the operation of applicable state law or for any other reason, Entergy shall retain such Liabilities and ITC shall reimburse and otherwise fully indemnify Entergy for all such Liabilities, including the costs of administering the plans, programs or arrangements under which any such Liabilities have accrued or otherwise arisen. Entergy shall retain all Liabilities for workers' compensation claims to the extent arising prior to the Closing Date.

Section 8.2 Code Sections 162(m)/409A. Notwithstanding anything in this Agreement to the contrary (including the treatment of supplemental and deferred compensation plans, outstanding long-term incentive awards and annual incentive awards as described herein), the Parties agree to negotiate in good faith regarding the need for any treatment different from that otherwise provided herein to ensure that (i) a federal income Tax deduction for the payment of such supplemental or deferred compensation or long-term incentive award, annual incentive award or other compensation is not limited by reason of Section 162(m) of the Code, and (ii) the treatment of such supplemental or deferred compensation or long-term incentive award, annual incentive award or other compensation does not cause the imposition of a Tax under Section 409A of the Code. In no event, however, will any Party be liable to another in respect of any Taxes imposed under Section 409A of the Code or the denial of any Tax deduction by reason of Section 162(m) of the Code.

Section 8.3 Certain Payroll, Annual and Long-Term Bonus Matters.

(a) Post-Distribution Payroll for Pre-Distribution Service. In the case of each TransCo Employee, the employer of such individual as of immediately before the Closing Date shall be responsible for paying (and the W-2 and other payroll reporting obligations for) the payroll amount due to such individual for the payroll period (or portion thereof) ending on the Closing Date.

(b) Annual Bonus Programs. Subject to any applicable Collective Bargaining Agreement, as soon as practicable (and in any event within thirty (30) days) following the Closing Date, Entergy shall pay or shall cause a member of the Entergy Group to pay to each TransCo Employee an amount equal to the annual cash incentive bonus (if any) the TransCo Employee would have earned for the year during which the Closing Date occurs at the target level of performance had the TransCo Employee been eligible for such a bonus, pro-rated for the portion of the year through the Closing Date.

(c) Long Term Incentive Program. Subject to any applicable Collective Bargaining Agreement, as soon as practicable (and in any event within thirty (30) days) following the Closing Date, Entergy shall pay or shall cause a member of the Entergy Group to pay to each TransCo Employee who is then participating in the Entergy Long-Term Incentive Program under the Entergy Stock Plan (or any successor thereto) the amount (if any) the TransCo Employee would have earned under any then pending performance cycles at the target level of performance had the TransCo Employee been eligible for such an incentive payment, pro-rated for the portion of the performance period ending on the Closing Date.

ARTICLE IX

INDEMNIFICATION

Section 9.1 Indemnification by the Parties. Except as otherwise specifically set forth in any provision of this Agreement, (i) Entergy shall indemnify, defend and hold harmless the ITC Indemnitees and TransCo Indemnitees from and against, and shall reimburse such Indemnitees with respect to, any and all Losses that result from, relate to or arise, whether prior to or following the Distribution, any breach by any member of the Entergy Group of any provision of this Agreement and (ii) ITC and TransCo shall, on a joint and several basis, indemnify, defend and hold harmless the Entergy Indemnitees from and against, and shall reimburse such Entergy Indemnitees with respect to, any and all Losses that result from, relate to or arise, whether prior to or following the Separation Time, any breach by any member of the ITC Group or TransCo Group of any provision of this Agreement.

Section 9.2 Procedures for Indemnification.

(a) An Indemnitee shall give the Indemnifying Party notice of any matter that an Indemnitee has determined has given or would reasonably be expected to give rise to a right of indemnification under this Agreement (other than a Third-Party Claim which shall be governed by Section 9.2(b)), within twenty (20) Business Days of such determination, stating the amount of the Loss claimed, if known, and method of computation thereof, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed by such Indemnitee or arises; provided, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations except and solely to the extent the Indemnifying Party shall have been materially prejudiced as a result of such failure.

(b) If a claim or demand is made against an Indemnitee by any Person who is not a party to this Agreement or an Affiliate of a Party (a "Third-Party Claim") as to which such Indemnitee is or reasonably expects to be entitled to indemnification pursuant to this Agreement, such Indemnitee shall notify the Party that is or may be required pursuant to this Article IX to make such indemnification (the "Indemnifying Party") in writing, and in reasonable detail, of the Third-Party Claim promptly (and in any event within thirty (30) calendar days) after receipt by such Indemnitee of written notice of the Third-Party Claim; provided, that the failure to provide notice of any such Third-Party Claim pursuant to this sentence shall not release the Indemnifying Party from any of its obligations except and solely to the extent the Indemnifying Party shall have been materially prejudiced as a result of such failure (except that the Indemnifying Party or Parties shall not be liable for any expenses incurred by the Indemnitee in defending such Third-Party Claim during the period in which the Indemnitee failed to give such notice). Thereafter, the Indemnitee shall deliver to the Indemnifying Party, promptly (and in any event within ten (10) Business Days) after the Indemnitee's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third-Party Claim.

(c) An Indemnifying Party shall be entitled (but shall not be required) to assume, control the defense of, and settle any Third-Party Claim, at such Indemnifying Party's own cost and expense and by such Indemnifying Party's own counsel, which counsel must be reasonably acceptable to the applicable Indemnitees, if it gives written notice of its intention to do

so and agreement that the Indemnitee is entitled to indemnification under this Article IX to the applicable Indemnitees within thirty (30) calendar days of the receipt of notice from such Indemnitees of the Third-Party Claim. After such notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third-Party Claim, such Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise or settlement thereof, at its own expense and, in any event, shall reasonably cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party all witnesses, pertinent and material Information and materials in such Indemnitee's possession or under such Indemnitee's control relating thereto as are reasonably required by the Indemnifying Party; provided, that such access shall not require the Indemnitee to disclose any information the disclosure of which would, in the reasonable judgment of the Indemnitee, result in the loss of any existing attorney-client privilege with respect to such information or violate any applicable Law.

(d) Notwithstanding anything to the contrary in this Section 9.2, in the event that (i) an Indemnifying Party elects not to assume responsibility for defending a Third-Party Claim, (ii) there exists a conflict of interest or potential conflict of interest between the Indemnifying Party and the applicable Indemnitee(s), (iii) any Third-Party Claim seeks an order, injunction or other equitable relief or relief for other than money damages against the Indemnitee, (iv) the Indemnifying Party shall not have employed counsel to represent the Indemnitee within thirty (30) calendar days after notice from the Indemnitee of such Third-Party Claim, (v) the Indemnitee's exposure to Liability in connection with such Third-Party Claim is reasonably expected to exceed the Indemnifying Party's exposure in respect of such Third-Party Claim taking into account the indemnification obligations hereunder or (vi) the party making such Third-Party Claim is a Governmental Authority with regulatory authority over the Indemnitee or any of its material Assets, such Indemnitee(s) shall be entitled to assume the defense of such Third-Party Claim, at the Indemnifying Party's expense, with counsel of such Indemnitee's choosing. If the Indemnitee is conducting the defense against any such Third-Party Claim, the Indemnifying Party shall reasonably cooperate with the Indemnitee in such defense and make available to the Indemnitee all witnesses, pertinent and material Information and materials in such Indemnifying Party's possession or under such Indemnifying Party's control relating thereto as are reasonably required by the Indemnitee; provided, that such access shall not require the Indemnifying Party to disclose any information the disclosure of which would, in the reasonable judgment of the Indemnifying Party, result in the loss of any existing attorney-client privilege with respect to such information or violate any applicable Law.

(e) Unless the Indemnifying Party has failed to assume the defense of the Third-Party Claim in accordance with the terms of this Agreement, no Indemnitee may settle or compromise any Third-Party Claim without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld, conditioned or delayed. If an Indemnifying Party has failed to assume the defense of the Third-Party Claim, it shall not be a defense to any obligation to pay any amount in respect of such Third-Party Claim that the Indemnifying Party was not consulted in the defense thereof, that such Indemnifying Party's views or opinions as to the conduct of such defense were not accepted or adopted, that such Indemnifying Party does not approve of the quality or manner of the defense thereof or that such Third-Party Claim was incurred by reason of a settlement rather than by a judgment or other determination of liability.

(f) In the case of a Third-Party Claim, no Indemnifying Party shall consent to entry of any judgment or enter into any settlement of the Third-Party Claim without the consent (not to be unreasonably withheld, conditioned or delayed) of the Indemnitee if the effect thereof is to permit any injunction, declaratory judgment, other order or other non-monetary relief to be entered, directly or indirectly, against any Indemnitee, does not release the Indemnitee from all liabilities and obligations with respect to such Third-Party Claim or includes an admission of guilt or liability on behalf of the Indemnitee.

(g) Except as otherwise provided in Section 11.3, absent fraud or intentional misconduct by an Indemnifying Party, the indemnification provisions of this Article IX shall be the sole and exclusive remedy of an Indemnitee for any monetary or compensatory damages or Losses resulting from any breach of this Agreement, and each Indemnitee expressly waives and relinquishes any and all rights, claims or remedies such Person may have with respect to the foregoing other than under this Article IX against any Indemnifying Party.

Section 9.3 Indemnification Obligations Net of Proceeds Received from Third Parties.

(a) Any Liability subject to indemnification or contribution pursuant to this ARTICLE IX will be (i) net of any proceeds received by the Indemnitee from any third party for indemnification for such Liability that actually reduce the amount of the Liability ("Third-Party Proceeds") and (ii) be determined on a Net-Tax Basis. Accordingly, the amount which any Indemnifying Party is required to pay pursuant to this ARTICLE IX to any Indemnitee pursuant to this ARTICLE IX will be reduced by Third-Party Proceeds theretofore actually recovered by or on behalf of the Indemnitee in respect of the related Liability. If an Indemnitee receives a payment required by this Agreement from an Indemnifying Party in respect of any Liability (an "Indemnity Payment") and subsequently receives Third-Party Proceeds, then the Indemnitee will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Third-Party Proceeds had been received, realized or recovered before the Indemnity Payment was made.

(b) The Indemnitee shall use commercially reasonable efforts to seek to collect or recover any Third-Party Proceeds to which the Indemnitee is entitled in connection with any Liability for which the Indemnitee seeks contribution or indemnification pursuant to this ARTICLE IX; provided, that the Indemnitee's inability to collect or recover any such Third-Party Proceeds shall not limit the Indemnifying Party's obligations hereunder.

(c) The term "Net-Tax Basis" means that, in determining the amount of the payment necessary to indemnify any Indemnitee against, or reimburse any Indemnitee for, any Liability, such amount will be increased to take account of all or any portion of the indemnification payment (including any increase of the indemnification payment attributable hereto) being properly includable in the income of the Indemnitee; provided that any such increase shall be net of any Tax benefit attributable to the capitalization or deduction of such Liability of the Indemnitee. For purposes of determining Net-Tax Basis, any inclusion in income or Tax benefit shall be determined on a hypothetical basis (i) using the highest federal marginal corporate income tax rate in the applicable year of inclusion plus three percent (3%), (ii) assuming that the Indemnitee will be liable for Taxes at such rate and has no net operating losses, capital losses or tax

credits, (iii) assuming that any Tax benefit is used at the earliest date allowable by applicable Law and (iv) for purposes of calculating the Tax benefit attributable to amounts that will be depreciated or amortized in the future, utilizing a discount rate equal to six percent (6%).

Section 9.4 Certain Actions; Substitution; Subrogation.

(a) Certain Actions. Notwithstanding anything to the contrary set forth in Section 9.2, Entergy and TransCo shall jointly control the defense of any and all Actions pending at the Separation Time which otherwise would be subject to this Article IX and as to which a member of the Entergy Group is also named as a target or defendant thereunder; provided, that (i) Entergy and TransCo shall defend such Actions in good faith, (ii) Entergy and TransCo shall reasonably consult with the other on a regular basis with respect to strategy and developments with respect to any such Action, (iii) each of Entergy and TransCo shall have the right to participate in and employ separate counsel in connection with the defense, compromise or settlement of such Action at its own cost and expense and (iv) each of Entergy and TransCo must consent, such consent not to be unreasonably withheld, conditioned or delayed, to settle or compromise or consent to the entry of judgment with respect to such Action if such settlement, consent or judgment would require either Party (or any of its Affiliates) to admit any guilt or fault or incur any Liability, does not release such Party (or any of its Affiliates) completely in connection with such Action, or imposes injunctive or other equitable relief against such Party (or any of its Affiliates). After any such compromise, settlement, consent to entry of judgment or entry of judgment, Entergy and TransCo shall agree upon a reasonable allocation to TransCo of, and TransCo shall be responsible for or receive, as the case may be, TransCo's proportionate share of any such compromise, settlement, consent or judgment attributable to the TransCo, including its proportionate share of the reasonable costs and expenses associated with defending the same.

(b) Substitution. In the event of an Action that involves solely matters that are indemnifiable and in which the Indemnifying Party is not a named defendant, if either the Indemnatee or the Indemnifying Party so requests, the Parties shall use commercially reasonable efforts to substitute the Indemnifying Party for the named but not liable defendant to be removed from such Action and such defendants shall not be required to make any payments or contribution in connection therewith (regardless if such removal is successful or not). If such substitution or addition cannot be achieved for any reason or is not requested, the rights and obligations of the Parties regarding indemnification and the management of the defense of claims as set forth in this ARTICLE IX shall not be affected.

(c) Subrogation. In the event of payment by or on behalf of any Indemnifying Party to or on behalf of any Indemnatee in connection with any Third-Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnatee, in whole or in part based upon and in proportion to the amount of the Indemnatee's Liability that the Indemnifying Party has paid, as to any events or circumstances in respect of which such Indemnatee may have any right, defense or claim relating to such Third-Party Claim against any claimant or plaintiff asserting such Third-Party Claim or against any other Person. Such Indemnatee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

Section 9.5 Payments. Indemnification required by this ARTICLE IX shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or a Loss or Liability incurred.

ARTICLE X

GENERAL AND ADMINISTRATIVE

Section 10.1 Sharing of Information. To the extent permitted by applicable Law, Entergy, TransCo and ITC shall provide to each other and their respective agents and vendors all Information (other than attorney-client privileged Information or attorney work product) as the other may reasonably request to enable the requesting Party to defend or prosecute claims, administer efficiently and accurately each of its Benefit Arrangements (including in connection with audits or other proceedings maintained by any Governmental Authority), to timely and accurately comply with and report under Section 14 of the Securities Exchange Act of 1934, as amended and the Code, to determine the scope of, as well as fulfill, its obligations under this Agreement, and otherwise to comply with provisions of applicable Law. Such Information shall, to the extent reasonably practicable, be provided in the format and at the times and places requested, but in no event shall the Party providing such Information be obligated to incur any out-of-pocket expenses not reimbursed by the Party making such request or make such Information available outside of its normal business hours and premises. Any Information shared or exchanged pursuant to this Agreement shall be subject to the confidentiality requirements set forth in ARTICLE VII of the Separation Agreement; provided, that, notwithstanding anything in such ARTICLE VII and without otherwise limiting the provisions of such ARTICLE VII, each of the Parties shall comply with any requirement of applicable Law in regard to the confidentiality of the Information (whether relating to employee records or otherwise) that is shared with another Party in accordance with this Section 10.1. The Parties also hereby agree to enter into any business associate agreements that may be required for the sharing of any Information pursuant to this Agreement to comply with the requirements of HIPAA. The Parties shall use their best efforts to secure consents or authorizations from employees, former employees and their respective dependents to the extent required to permit the Parties to share Information as contemplated in this Section 10.1.

Section 10.2 Reasonable Efforts/Cooperation. Each of the Parties shall use reasonable best efforts (subject to, and in accordance with applicable Law) to be take promptly, or cause to be taken promptly, all actions, and to do promptly, or cause to be done promptly, and to assist and cooperate with the other Parties in doing, all things reasonably necessary, proper or advisable to consummate and make effective the transactions contemplated by and carry out the intent and purposes of this Agreement, including adopting plans or plan amendments and including using reasonable best efforts to obtain satisfaction of the conditions precedent to each Party's obligations hereunder within its reasonable control and to perform all covenants and agreements herein applicable to such Party and (ii) none of the Parties will, without the prior written consent of the other applicable Party, take any action which would reasonably be expected to prevent or materially impede, interfere with or delay the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, where the cooperation of third parties, such as insurers or trustees, would be necessary in order for a Party to completely fulfill its

obligations under this Agreement, such Party shall use reasonable best efforts to cause such third parties to provide such cooperation. Without limiting the foregoing provisions of this Section 10.2, each of the Parties shall cooperate fully on any issue relating to the transactions contemplated by this Agreement for which the other Party seeks a determination letter or private letter ruling from the IRS, an advisory opinion from the Department of Labor or any other filing, consent or approval with respect to or by a Governmental Authority.

Section 10.3 Employer Rights. Without limiting Section 2.8 and except as otherwise expressly provided in this Agreement (including Section 2.2 and Section 5.2(a)), nothing in this Agreement shall prohibit any Party or any of their respective Affiliates from amending, modifying or terminating any of their respective Benefit Arrangements at any time within their sole discretion.

Section 10.4 Effect on Employment. Without limiting Section 2.3 or Section 2.4, except as expressly provided in this Agreement, the mere occurrence of the Separation, Distribution or Merger shall not cause any employee to be deemed to have incurred a termination of employment which entitles such individual to the commencement of benefits under any of the Entergy Benefit Arrangements or any of the Collective Bargaining Agreements (provided that TransCo Employees may become eligible for a distribution from the Entergy Savings Plan in accordance with the terms of such plan).

Section 10.5 Consent of Third Parties. If any provision of this Agreement is dependent on the Consent of any third party and such Consent is withheld, the Parties hereto shall use their reasonable best efforts to implement the applicable provisions of this Agreement to the fullest extent practicable. If any provision of this Agreement cannot be implemented due to the failure of such third party to consent, the Parties hereto shall negotiate in good faith to implement the provision (as applicable) in a mutually satisfactory manner.

Section 10.6 Access to Employees. On and after the Closing Date, Entergy, TransCo and ITC shall, and shall cause each of their respective Affiliates to, use their best efforts to make available to each other those of their employees who may reasonably be needed in order to defend or prosecute any legal or administrative Action (other than a legal action between or among any of the Parties) to which any employee, director or Benefit Arrangement of the Entergy Group, TransCo Group or ITC Group is a party and which relates in any way to their respective employment or to their respective Benefit Arrangements prior to the Closing Date. The Party to whom an employee is made available in accordance with this Section 10.6 shall pay or reimburse the other Party for all reasonable expenses which may be incurred by such employee in connection therewith, including all reasonable travel, lodging, and meal expenses.

Section 10.7 Beneficiary Designation/Release of Information/Right to Reimbursement. Without limiting the provisions of Section 2.7 or Section 3.2(c) or other provisions of this Agreement, to the extent permitted by applicable Law and except as otherwise provided for in this Agreement, all beneficiary designations, authorizations for the release of Information and rights to reimbursement made by or relating to TransCo Employees under Entergy Benefit Arrangements shall be transferred to and be in full force and effect under the corresponding ITC Benefit Arrangements until such beneficiary designations, authorizations or rights are replaced or revoked by, or no longer apply, to the relevant TransCo Employee.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Entire Agreement. This Agreement, including the Exhibits and Schedules, the Confidentiality Agreements, the Collective Bargaining Agreements, the Merger Agreement, the Separation Agreement and the other Ancillary Agreements, including any related annexes, schedules and exhibits, as well as any other agreements and documents referred to herein and therein, shall together constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof and shall supersede all prior negotiations, agreements and understandings of the Parties of any nature, whether oral or written, with respect to such subject matter. In the event of any conflict between the terms and conditions of the body of this Agreement and the terms and conditions of any Schedule or Exhibit, the terms and conditions of such Schedule or Exhibit shall control.

Section 11.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

Section 11.3 Specific Performance; Jurisdiction. The Parties understand and agree that the covenants and agreements on each of their parts herein contained are uniquely related to the desire of the Parties and their respective Affiliates to consummate the Transactions (within the meaning of the Separation Agreement), that the Transactions (within the meaning of the Separation Agreement) are a unique business opportunity at a unique time for each of Entergy and ITC and their respective Affiliates, and further agree that irreparable damage would occur in the event that any provision of this Agreement were not performed in accordance with its specific terms and further agree that, although monetary damages may be available for the breach of such covenants and agreements, monetary damages would be an inadequate remedy therefor. It is accordingly agreed that, in addition to any other remedy that may be available to it, including monetary damages, each of the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Each of the Parties further agrees that no Party shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 11.3 and each Party waives any objection to the imposition of such relief or any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument. In addition, each of the Parties irrevocably agrees that any legal action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder

brought by any Party or its successors or assigns, shall be brought and determined exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Each of the Parties hereby irrevocably submits with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the aforesaid courts. Each of the Parties hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason other than the failure to serve in accordance with this Section 11.3, (b) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by the applicable Law, any claim that (i) the suit, action or proceeding in such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

Section 11.4 Waiver of Jury Trial. EACH OF THE PARTIES IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 11.5 Notices. All notices, requests, permissions, waivers and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) five (5) Business Days following sending by registered or certified mail, postage prepaid, (b) when sent, if sent by facsimile, provided, that the facsimile transmission is promptly confirmed and any facsimile or email transmission received after 5:00 p.m. Eastern Time shall be deemed received at 9:00 a.m. Eastern Time on the following Business Day, (c) when delivered, if delivered personally to the intended recipient and (d) one (1) Business Day following sending by overnight delivery via a national courier service and, in each case, addressed to a Party at the following address for such Party:

(a) If to ITC:

ITC Holdings Corp.
27175 Energy Way
Novi, MI 48377
Attn: Daniel J. Oginsky, Senior Vice President and General Counsel
Facsimile: (248) 946-3562

with a copy to (which shall not constitute notice):

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954

Attn: Gregory T. Grogan, Esq.
Facsimile: (212) 455-2502

(b) If to Entergy:

Entergy Corporation
639 Loyola Avenue
New Orleans, LA 70113
Attn: J. Wayne Leonard, Chief Executive Officer
Facsimile: (504) 576-2776

with a copy to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005
Attn: Pankaj K. Sinha, Esq.
Michael P. Rogan, Esq.
Facsimile: (202) 393-5760

(c) If to TransCo prior to the Distribution Date:

Mid South TransCo LLC
c/o Entergy Corporation
639 Loyola Avenue
New Orleans, LA 70113
Attn: J. Wayne Leonard, Chief Executive Officer
Facsimile: (504) 576-2776

with a copy to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005
Attn: Pankaj K. Sinha, Esq.
Michael P. Rogan, Esq.
Facsimile: (202) 393-5760

(d) If to TransCo on or after the Distribution Date:

Mid South TransCo LLC
c/o ITC Holdings Corp.
27175 Energy Way
Novi, MI 48377
Attn: Daniel J. Oginsky, Senior Vice President and General Counsel
Facsimile: (248) 946-3562

with a copy to (which shall not constitute notice):

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Attn: Gregory T. Grogan, Esq.
Facsimile: (212) 455-2502

or to such other address(es) as shall be furnished in writing by any such Party to the other Party in accordance with the provisions of this Section 11.5.

Section 11.6 Amendments and Waivers.

(a) This Agreement may be amended and any provision of this Agreement may be waived, provided, that any such amendment or waiver shall be binding upon a Party only if such waiver is set forth in a writing executed by such Party and any such amendment shall be effective only if set forth in a writing executed by each of the Parties. No course of dealing between or among any Persons having any interest in this Agreement shall be deemed effective to modify, amend or discharge any part of this Agreement or any rights or obligations of any Party under or by reason of this Agreement.

(b) No delay or failure in exercising any right, power or remedy hereunder shall affect or operate as a waiver thereof; nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power or remedy preclude any further exercise thereof or of any other right, power or remedy. The rights and remedies hereunder are cumulative and not exclusive of any rights or remedies that any Party would otherwise have. Any waiver, permit, consent or approval of any kind or character of any breach or default under this Agreement or any such waiver of any provision of this Agreement must satisfy the conditions set forth in Section 11.6(a) and shall be effective only to the extent in such writing specifically set forth.

Section 11.7 Termination. This Agreement shall terminate without further action at any time before the Closing upon termination of the Merger Agreement. If terminated, no Party shall have any Liability of any kind to the other Party or any other Person on account of this Agreement, except as provided in the Merger Agreement.

Section 11.8 No Third-Party Beneficiaries. Except for the provisions of Article IX with respect to indemnification of Indemnitees, which is intended to benefit and be enforceable by the Persons specified therein as Indemnitees, this Agreement is solely for the benefit of the Parties and does not confer on third parties (including any employees of any member of the Entergy Group, the TransCo Group or the ITC Group) any remedy, claim, reimbursement, claim of action or other right in addition to those existing without reference to this Agreement.

Section 11.9 Assignability; Binding Effect. This Agreement is not assignable by any Party without the prior written consent of the other Parties and any attempt to assign this Agreement without such consent shall be void and of no effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

Section 11.10 Construction; Interpretation. Headings of the Articles and Sections of this Agreement are for convenience of the parties only and shall be given no substantive or interpretive effect whatsoever. The table of contents to this Agreement is for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever required by the context, any pronoun used in this Agreement or the Schedules and Exhibits hereto shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns, pronouns and verbs shall include the plural and vice versa. Reference to any agreement, document, or instrument means such agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The Parties have participated jointly in the negotiation and drafting of this Agreement, the Merger Agreement, the Separation Agreement and the other Ancillary Agreements. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

Section 11.11 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

Section 11.12 Counterparts. This Agreement may be executed in multiple counterparts (any one of which need not contain the signatures of more than one Party), each of which shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. This Agreement, and any amendments hereto, to the extent signed and delivered by means of a facsimile machine or other electronic transmission, shall be treated in all manner and respects as an original agreement and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. At the request of any Party, the other Party shall re-execute original forms thereof and deliver them to the requesting Party. No Party shall raise the use of a facsimile machine or other electronic means to deliver a signature or the fact that any signature was transmitted or communicated through the use of a facsimile machine or other electronic means as a defense to the formation of a Contract and each such Party forever waives any such defense.

Section 11.13 Relationship of Parties. Nothing in this Agreement shall be deemed or construed by the Parties or any third party as creating the relationship of principal and agent, partnership, joint venture or joint employer relationship between or among the Parties, it being understood and agreed that no provision contained herein, and no act of the Parties, shall be deemed to create any relationship between or among the Parties other than the relationship set forth herein.

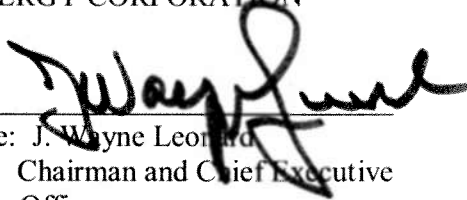
Section 11.14 Subsidiaries. Each of the Parties shall cause to be performed all actions, agreements and obligations set forth herein to be performed by any Subsidiary or Affiliate of such Party or by any entity that becomes a Subsidiary or Affiliate of such Party on or after the date hereof. Each of the Parties may assign to one of its respective Subsidiaries or Affiliates (including any Person which becomes a Subsidiary or Affiliate on or after the date hereof) the requirement to take any or all actions and discharge any or all obligations set forth herein to be performed or discharged by the Party. In no event shall this Agreement be construed as establishing a partnership or joint venture or similar relationship between or among a Party and its Subsidiaries or Affiliates or to cause any such Person to be treated as the alter ego of the other.

Section 11.15 Dispute Resolution. Any controversy, dispute or claim arising out of, in connection with, or in relation to the interpretation, performance, nonperformance, validity, termination or breach of this Agreement or otherwise arising out of, or in any way related to this Agreement or the transactions contemplated hereby or thereby shall be subject to the dispute resolutions procedures set forth in Article X of the Separation Agreement.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed
as of the day and year first above written.

ENTERGY CORPORATION

By: 
Name: J. Wayne Leonard
Title: Chairman and Chief Executive
Officer

MID SOUTH TRANSCO LLC

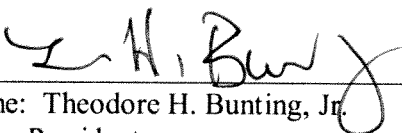
By: _____
Name: Theodore H. Bunting, Jr.
Title: President

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the day and year first above written.

ENTERGY CORPORATION

By: _____
Name: J. Wayne Leonard
Title: Chairman and Chief Executive
Officer

MID SOUTH TRANSCO LLC

By: 
Name: Theodore H. Bunting, Jr.
Title: President

ITC HOLDINGS CORP.

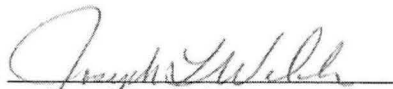
By: 
Name: Joseph L. Welch
Title: President and Chief Executive Officer

EXHIBIT A

RETAINED EMPLOYEES

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SCHEDULE A

CERTAIN COLLECTIVE BARGAINING AGREEMENTS

1. Collective Bargaining Agreement between Texas OpCo, Inc. Transmission, Distribution, Utility Support, and Corporate Business Services and IBEW Local 2286, which is scheduled to expire on August 2, 2014.
2. Collective Bargaining Agreement between Gulf States OpCo Louisiana, L.L.C.. Transmission, Distribution, Utility Support, and Corporate Business Services and IBEW Local 2286, which is scheduled to expire on October 11, 2014.
3. Collective Bargaining Agreement between Arkansas OpCo, Inc. (Transmission, Distribution and Utility Support) and IBEW Locals 647, 750, 1439 and 1703, which is scheduled to expire on October 1, 2012.
4. Collective Bargaining Agreement between Mississippi OpCo, Inc. and IBEW Locals 605 and 985, which is scheduled to expire on October 15, 2013.

SCHEDULE B

SEVERANCE FORMULA

Officers – Management Level 1-4

Benefit will be an amount equal to: (i) twenty-six Week's Base Pay, plus (ii) one Week's Base Pay times Accumulated Whole Years of Continuous Service, with the total of (i) and (ii) not to exceed Base Salary.

Directors – Management Level 5

Benefit will be an amount equal to: (i) sixteen Week's Base Pay, plus (ii) one Week's Base Pay times Accumulated Whole Years of Continuous Service, with the total of (i) and (ii) not to exceed Base Salary.

Manager – Management Level 6

Benefit will be an amount equal to: (i) eight Week's Base Pay plus (ii) one Week's Base Pay times Accumulated Whole Years of Continuous Service, with the total of (i) and (ii) not to exceed Base Salary.

Other Salaried Employees and Non-Exempt Employees – Those not in Management Level 1-6

Benefit will be an amount equal to: (i) four Week's Base Pay plus (ii) one Week's Base Pay times Accumulated Whole Years of Continuous Service, with the total of (i) and (ii) not to exceed Base Salary.

Definitions for purposes of this Schedule B:

Accumulated Whole Years of Continuous Service – Number of years of whole service. Partial or fractional years of service are not considered unless coupled with another partial or fractional year of Continuous service and when added together, equal another whole year of service.

Base Salary – is the rate of annual base pay, on a pre-tax basis, but not less than that in effect as of immediately before the Closing Date. There is no reduction for the amounts that a participant has elected to defer under a sponsored 401(k) plan, cafeteria plan or similar deferred compensation plan. It does not include bonuses, incentive payments, overtime pay or any other forms of special payment (*e.g.*, premiums, step up pay, etc.).

Week's Base Pay – is an amount equal to 1/52 of Base Salary.

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