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FINANCIAL FEDERAL CORP
 Form 424B3
 June 30, 2006

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 Registration Statement No. 333-116806

PROSPECTUS SUPPLEMENT NO. 9
 (To Prospectus Dated November 10, 2004)

FINANCIAL FEDERAL CORPORATION

\$175,000,000
 2.0% Convertible Senior Debentures Due 2034
 and Shares of Common Stock Issuable upon Conversion of the Debentures

This Prospectus Supplement supplements information contained in the Prospectus dated November 10, 2004 (the "Prospectus") and as supplemented by prospectus supplement No. 3 dated November 17, 2004, prospectus supplement No. 4 dated December 15, 2004, prospectus supplement No. 5 dated March 11, 2005, prospectus supplement No. 6 dated April 5, 2005, prospectus supplement No. 7 dated October 14, 2005 and prospectus supplement No. 8 dated February 6, 2006 of Financial Federal Corporation relating to the potential sales of up to \$175,000,000 aggregate principal amount of Debentures and the Conversion Shares by the Selling Securityholders. This Prospectus Supplement is not complete without, and may not be delivered or utilized except in connection with, the Prospectus. Capitalized terms used herein but not defined have the meanings assigned to such terms in the Prospectus.

The table below sets forth updated information concerning beneficial ownership of the Debentures and supplements and amends the table appearing under "Selling Securityholders" beginning on page 15 of the Prospectus. To the extent that a Selling Securityholder is listed in the table below and in the table in the Prospectus, the information set forth below regarding the Selling Securityholder supersedes the information in the Prospectus. We have prepared this table based on information given to us by the Selling Securityholder(s) listed below prior to the date hereof.

NAME	PRINCIPAL AMOUNT OF DEBENTURES THAT MAY BE SOLD	PERCENTAGE OF DEBENTURES OUTSTANDING	NUMBER OF CONVERSION SHARES THAT MAY BE SOLD
Basso Multi-Strategy Holding Fund Ltd.	\$ 77,000	*	2,67
Basso Holdings Ltd.	581,000	*	20,18
Five Sticks, L.P.	42,000	*	1,45

* less than 1%

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INVESTING IN THE DEBENTURES INVOLVES RISKS. SEE "RISK FACTORS"
BEGINNING ON PAGE 6 OF THE PROSPECTUS.

We will not receive any of the proceeds from the sale of the Debentures or the underlying shares of common stock by any of the Selling Securityholders. The Selling Securityholders may sell the Debentures or common stock either directly or through underwriters, broker-dealers or agents and in one or more transactions at market prices prevailing at the time of sale or at negotiated prices.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THE PROSPECTUS OR THIS PROSPECTUS SUPPLEMENT IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus Supplement is June 30, 2006

It but Mr. Olivier provide for a severance payment equal to two times the base salary plus annual incentives at target, one multiple of which is associated with the signing of a non-compete agreement.

IV. Post-Employment Compensation: Termination Upon Disability

	Shivery	McHale	Grisé	Olivier	Butler
Type of Payment	(\$)	(\$)	(\$)	(\$)	(\$)
Incentive Programs(1)					
Annual Incentives	1,698,395	395,693	530,613	451,419	383,279
Performance Cash	1,521,190	276,506	789,402	332,050	512,796
Restricted Stock and RSUs	1,793,172	63,991	813,885	314,700	146,549
Pension and Deferred Compensation					
Retirement Plan(2)		553,943	900,074	224,302	164,118
Supplemental Plan(2)	1,743,665	1,166,430	6,959,366		634,400
Special Retirement Benefit(2)	1,141,516			1,126,818	
Deferral Plan(3)	191,516		167,568	484,008	11,736
Other Benefits(4)					
Health and Welfare Cash Value				100,977	
Perquisites					
Separation Payments					
Separation Payment for Non-Compete Agreement					
Separation Payment for Liquidated Damages					
Total	8,089,454	2,456,563	10,160,908	3,034,274	1,852,878

- (1) The 2006 Annual Incentive Program and all current long-term Performance Cash Programs provide for payout in the event that a participant's employment terminates for reason of disability. While actual values are reported for the 2006 Annual Incentive Program amounts, amounts shown for the Performance Cash Program for 2004-2006, 2005-2007 and 2006-2008 are based on target performance in accordance with program rules and prorated for time worked in the performance period. For RSUs, a disabled participant would receive payout of unvested RSUs prorated for time worked in the vesting period that would otherwise be completed on February 25, 2007 plus payment for all previously vested but not yet paid RSUs.
- (2) Under the Company's Long-Term Disability (LTD) program, disabled participants in the Retirement Plan are allowed to continue to accrue service in the Retirement Plan during the period when they are receiving disability payments. Disability payments stop when the LTD participant elects to commence pension payments, but not later than age 65. We have assumed similar treatment in the development of the pension amounts reported in this table. For purposes of valuing the

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pension benefits, we have assumed that each named executive officer would remain on LTD until his or her first unreduced make whole or target pension benefit age (Mr. Shivery 65, Mr. McHale 55, Mrs. Grisé 57, Mr. Olivier 60, and Mr. Butler age 62). All but the benefit payable to Mr. Olivier are life annuities that are calculated using the same assumptions as detailed in the notes to the Pension Benefits Table. Mr. Olivier's benefit would be paid as a lump sum of \$2,050,000 as offset by benefits from the Retirement Plan.

- (3) The deferred compensation values are vested balances for all named executive officers since all unvested employer match would become vested upon disability.
- (4) Mr. Olivier's employment agreement provides for retiree health benefits if he is terminated without cause even if he would not otherwise qualify for such benefits. The amount reported is the value of Company contributions for these benefits paid as a single lump sum grossed up for applicable withholding taxes.

V. Post-Employment Compensation: Death

	Shivery	McHale	Grisé	Olivier	Butler
Type of Payment	(\$)	(\$)	(\$)	(\$)	(\$)
Incentive Programs(1)					
Annual Incentives	918,846	230,000	345,992	267,175	233,778
Performance Cash	1,521,190	276,506	789,402	332,050	512,796
Restricted Stock and RSUs	1,793,172	63,991	813,885	314,700	146,549
Pension and Deferred Compensation					
Retirement Plan(2)		115,228	810,360	242,964	92,877
Supplemental Plan(2)			6,042,240		145,346
Special Retirement Benefit(2)	1,773,947			1,807,036	
Deferral Plan(3)	191,516		167,568	484,008	11,736
Other Benefits(4)					
Health and Welfare Cash Value	57,511			40,706	
Perquisites					
Separation Payments					
Separation Payment for Non-Compete Agreement					
Separation Payment for Liquidated Damages					
Total	6,256,182	685,725	8,969,447	3,488,639	1,423,082

- (1) The 2006 Annual Incentive Program and 2004-2006, 2005-2007 and 2006-2008 Performance Cash Programs provide for payout in the event that a participant's employment terminates for reason of death. All such payments would be prorated for time worked in each performance period and paid at target. For RSUs, a deceased participant's beneficiary would receive prorated payout of unvested RSUs for time worked in the vesting period that would otherwise be completed on February 25, 2007 plus payment for all previously vested but not yet paid RSUs.
- (2) Represents the lump sum present value of pension payments to the surviving beneficiary of each named executive officer.
- (3) The deferred compensation values are vested balances for all named executive officers since all unvested employer match would become vested on account of death.
- (4) Messrs. Shivery and Olivier's employment agreements provide, upon their death, for retiree health benefits for their respective spouses if Messrs. Shivery and Olivier would not otherwise qualify for such benefits. The amount reported is the value of Company contributions for these benefits paid as a single lump sum grossed up for applicable withholding taxes.

Payments Made Upon a Change of Control:

The Company has entered into employment agreements with Messrs. Shivery, McHale, Olivier and Butler and Mrs. Grisé. In addition, Mr. Olivier participates in the Special Severance Program for Officers of Northeast Utilities System Companies (SSP) providing for benefits upon termination connected with a Change of Control, while other named executive officers

have Change of Control benefits pursuant to the terms of their employment agreements. Also, the agreements and the SSP are binding on Northeast Utilities and, except for Mr. Shivery's agreement, on certain majority-owned subsidiaries of Northeast Utilities. The terms of the various employment agreements (Agreements) are substantially similar except as applied to Mr. Olivier, whose Agreement references the change of control provisions of the SSP. Pursuant to the Agreements and under the terms of the SSP, if the executive's employment terminates following a Change of Control (other than termination for cause or by reason of death or disability) or if the executive terminates his or her employment in certain circumstances defined in the Agreements as constituting good reason, then in addition to the benefits listed above, the named executive officer will receive, upon signing a release of all legal actions against the Company:

a lump sum severance payment (except for Mr. Olivier) of two-times the sum of the executive's base salary and all annual awards that would be payable for the relevant year determined at target (Base Compensation);

in consideration for a non-competition and non-solicitation covenant, a lump sum payment of one-times Base Compensation (two-times Base Compensation for Mr. Olivier under the terms of the SSP);

active health continuation coverage for three years (two years, for Mr. Olivier), or the cash equivalent;

benefits under the Supplemental Plan (except for Mr. Olivier, whose benefits are further described below) without regard to satisfaction of eligibility for the Target Benefit with favorable actuarial reductions and imputation of 36 months to the executive's age and service over that provided for upon voluntary termination of employment;

all restricted shares and RSUs held by the executive will automatically vest and be paid, and

an amount equal to the excise tax (except for Mr. Olivier) charged to the executive under the Code as a result of the receipt of any change of control payments, plus tax gross-up.

The descriptions of the various Agreements set forth above are for purpose of disclosure in accordance with the proxy statement and other disclosure rules of the SEC and shall not be controlling on any party; the actual terms of the agreements themselves determine the rights and obligations of the parties.

VI. Post-Employment Compensation: Termination Following a Change of Control

	Shivery	McHale	Grisé	Olivier	Butler
Type of Payment	(\$)	(\$)	(\$)	(\$)	(\$)
Incentive Programs(1)					
Annual Incentives	1,698,395	395,693	530,613	451,419	383,279
Performance Cash	2,710,000	482,600	1,190,500	581,800	775,100
Restricted Stock and RSUs	4,595,697	671,054	1,801,624	785,474	967,967
Pension and Deferred Compensation					
Retirement Plan(2)		302,116	784,933	242,964	154,271
Supplemental Plan(2)			6,057,428		
Special Retirement Benefit(2)	5,069,577	696,052	2,530,736	1,807,036	883,803
Deferral Plan(3)	191,516		167,568	484,008	11,736
Other Benefits(4)					
Health and Welfare Cash Value	131,192	18,398	36,797	113,931	36,797
Perquisites	8,500	8,500	8,500	8,500	8,500
Separation Payments(5)					
Excise Tax & Gross-Up	4,227,453	1,323,186	5,842,763		1,532,938
Separation Payment for Non-Compete Agreement	1,837,692	583,847	878,287	678,214	593,437
Separation Payment for Liquidated Damages	3,675,385	1,167,694	1,756,574	678,214	1,186,874
Total	24,145,407	5,649,139	21,586,322	5,831,559	6,534,703

- (1) All named executive officers meet the criteria for retirement treatment under the Annual Incentive Program and would receive a payout under the 2006 Annual Incentive Program based on actual results. Under the terms of the 2004-2006, 2005-2007 and 2006-2008 Performance Cash Programs, participants who are terminated upon a Change of Control become eligible for immediate payout of a target award, and under the terms of the outstanding grants of restricted shares and RSUs, all unvested shares and share units held by participants terminated upon a Change of Control would be immediately vested and paid.
- (2) Employment agreements for all but Mr. Olivier provide for the addition of three years of age and service in the calculation of pension benefits available upon termination following a Change of Control. For Mr. Shivery, this three years of added age and service are in addition to the three years of added service provided upon his voluntary termination. Pension amounts reflected in the table are present values at the end of 2006 of benefits payable to each NEO at the earliest unreduced benefit age (Mr. Shivery age 62, Mr. Mchale age 62, Mrs. Grisé age 62, Mr. Olivier age 58, and Mr. Butler age 62). All but the benefit payable to Mr. Olivier are annuities that are calculated using the assumptions detailed in the notes to the Pension Benefits Table. Mr. Olivier's benefit would be paid as a lump sum of \$2,050,000 as offset by benefits from the Retirement Plan.
- (3) The deferred compensation values are vested balances for all named executive officers since all unvested match would become fully vested upon the occurrence of a change of control.
- (4) Employment agreements for all but Mr. Olivier provide for the payment of three years of active health benefits value and retiree health benefits if adding the three years of age and service would have made the executive eligible under the Retirement Plan. Mr. Olivier is a participant in the SSP and, as such, is eligible for two years of active health benefits continuation. Mrs. Grisé would be eligible for retiree health benefits under the Retirement Plan. Six months of Company-paid COBRA benefits are generally made available to all employees who are involuntarily terminated without cause, so the amounts reported in the table are the cash value of 30 months of Company contributions for all but Mr. Olivier, whose benefit would be the cash value of 18 months of Company contributions. In addition to continuation of active health benefits, retiree

health benefits for Messrs. Shivery and Olivier, which are provided for in their employment agreements regardless of eligibility, would be paid as a single lump sum and grossed up for applicable withholding taxes. All named executive officers are also eligible to receive three years of reimbursement of financial planning and tax preparation services.

- (5) Excise Tax gross-up: Upon a Change of Control, employees may be subject to certain excise taxes under Section 280G of the Code. Employment agreements for all but Mr. Olivier provide for a grossed-up reimbursement of these excise taxes. The amounts in the table are based on a 280G excise tax rate of 20%, a statutory federal income tax withholding rate of 25%, a Connecticut state income tax rate of 5%, and a Medicare tax rate of 1.45%. Mr. Olivier's benefit through the SSP does not provide for this payment. Severance Payments: Employment agreements for all but Mr. Olivier provide for a severance payment equal to three-times the officer's base salary plus annual incentives at target, one multiple of which is associated with the signing of a non-compete agreement. Mr. Olivier's benefit under the SSP would be a payment of two-times his base salary plus target annual incentives, all of which is associated with the signing of a non-compete agreement.

Lawrence E. De Simone

The following table sets forth the payments to be received by Lawrence De Simone, President- Competitive Group of Northeast Utilities, following his retirement from the Company on January 1, 2007. Pursuant to the terms of Mr. De Simone's employment agreement, Mr. De Simone became entitled to the enumerated separation benefits if his responsibilities were significantly reduced as the result of the sale or other disposition of NU Enterprises, Inc. unrelated to a Change of Control of NU, as occurred in 2006, and he elected to terminate his employment. Because Mr. De Simone retired, he is also entitled to receive payment under the 2006 Annual Award Program. In addition, as set forth in the notes to the Grants of Plan-Based Awards Table, Mr. De Simone is eligible for distributions in the first quarter of 2008 under the 2005-2007 Performance Cash Program based on goal achievement, prorated to reflect that Mr. De Simone performed services for two years out of the three-year period, and an award under the 2006-2008 Performance Cash Program based on goal achievement, prorated to reflect that Mr. De Simone performed services for one year out of the three-year period ending December 31, 2008. Mr. De Simone vested in RSUs granted on February 14, 2006 and in prior years based on a proration of service during 2006 during which the grant was outstanding. Mr. De Simone was not eligible for a vested benefit under the Retirement Plan.

Post-Employment Compensation: Lawrence E. De Simone

Type of Payment	(\$)
Incentive Programs(1)	
Annual Incentives	407,692
Performance Cash	356,300
RSUs	364,475
Pension and Deferred Compensation(2)	
Retirement Plan	0
Supplemental Plan	0
Special Retirement Benefit	868,125
Other Benefits(3)	
Health and Welfare Cash Value	19,946
Separation Payments(4)	
Separation Payment for Non-Compete Agreement	811,182
Separation Payment for Liquidated Damages	811,182
Total	3,638,901

- (1) Upon his retirement, Mr. De Simone is eligible to receive a payout under the 2006 Annual Incentive Program. He is also eligible to receive a prorated payout of the 2005-2007 and 2006-2008 Performance Cash Programs, which will be paid in 2008 and 2009, respectively, based on final performance. Amounts reflected in the table are estimated payouts based on target performance. Upon Mr. De Simone's retirement on January 1, 2007, his unvested RSUs were vested on a prorated basis for time worked, and the remaining unvested RSUs were forfeited. Payout of the vested RSUs will be made in July of 2007, with the six-month delay that is required for deferred compensation paid to key employees under Code Section 409A. A total of 12,943 RSUs were outstanding following proration, and 19,809 RSUs have been forfeited.
- (2) Pension values are the total accrued pension benefit payable as an annuity that pays 50% to his surviving spouse. Assumptions used in the calculation of this benefit are further discussed in the notes to the Pension Benefits table.
- (3) Mr. De Simone's employment agreement provides for the payment of the value of two years of active health benefits upon his separation. Six months of Company-paid COBRA benefits are generally made available to all employees who are involuntarily terminated without cause, so the amounts reported in the table are the cash value of 18 months of Company contributions paid as a single lump sum and grossed up for applicable tax withholding. Payment will be made in January 2007 in accordance with Code Section 409A.
- (4) Mr. De Simone's employment agreement provides for a severance payment equal to two times base pay plus annual incentives, one multiple of which is associated with his signing a non-compete agreement.

TRUSTEE COMPENSATION

Board of Trustee compensation is determined on the basis of competitive market practice, both in setting the overall value of compensation and the mix of cash and equity. Compensation is established at the median of the market of similarly-sized general industry companies and is provided through a combination of annual retainer, meeting fees, and equity grants in the form of RSUs. This level of compensation supports Northeast Utilities' ability to attract Trustees with a broad range of backgrounds and experiences.

Each Trustee who is not an employee of Northeast Utilities or its subsidiaries receives an annual retainer. The Lead Trustee and the Chairs of the Audit, Compensation, Corporate Responsibility, Corporate Governance and Finance Committees receive additional annual retainers. All retainers are payable quarterly. One-half of the value of the retainers to the Chairs of the Audit and Compensation Committees is payable in the form of Northeast Utilities common shares. The following table sets forth the amounts of non-employee Trustee retainers for 2006:

Retainer	Annual Amount
Annual Retainer (all Trustees)	\$ 45,000
Lead Trustee	\$ 50,000
Audit Committee Chair	\$ 20,000
Compensation Committee Chair	\$ 15,000
Corporate Responsibility Committee Chair	\$ 7,500
Corporate Governance Committee Chair	\$ 7,500
Finance Committee Chair	\$ 10,000

During 2006, each non-employee Trustee received \$1,500 for each meeting of the full Board attended during the year and \$1,250 for each committee meeting attended through March 7, 2006. Attendance may be in person or by conference telephone. Subsequent to March 7, 2006, the rate for attendance at committee meetings by each non-employee trustee increased to \$1,500.

Under the terms of the 1998 Incentive Plan, each non-employee Trustee is eligible for share-based grants each calendar year. In January 2006, each non-employee Trustee was granted 3,000 RSUs under the 1998 Incentive Plan. These RSUs vested in January 2007. Subject to any voluntary deferral election by the Trustee (as described below), half of these RSUs were paid as newly-issued shares in January 2007 and half are mandatorily deferred and will be paid as newly-issued shares on the earlier of January 2011 or the month following such Trustee's separation from the Board.

Beginning with the 2007 grants, guidelines for share ownership similar to the executive compensation program have been instituted and the four year mandatory deferral feature for RSUs was eliminated. Therefore, subject to any voluntary deferral election by a Trustee, Trustees will now receive all of their common shares upon vesting of the RSUs one year after the date of grant. Also beginning in 2007, Trustees have five years to attain ownership of 7,500 common shares of Northeast Utilities, representing approximately five-times the amount of their present annual retainer. Except for Mr. Leibler, who joined the Board on November 1, 2006, the ownership level for each of the current Trustees currently exceeds the share ownership guideline.

Prior to the beginning of each calendar year, non-employee Trustees may irrevocably elect to have all or any portion of their retainers and fees paid in the form of common shares of Northeast Utilities. Pursuant to the Northeast Utilities Deferred Compensation Plan for Trustees, each Trustee may also irrevocably elect to defer receipt of some or all cash and/or share compensation including the shares issued under the 1998 Incentive Plan. Deferred funds are credited with interest at the rate set forth in Section 37-1 of the Connecticut General Statutes (as amended), which rate was 8% for all of 2006. Deferred compensation is payable in a lump sum or in one to five annual instalments in accordance with the Trustee's prior election.

A non-employee Trustee who is asked by either the Board or the Chairman of the Board to perform additional Board-related services in the interest of the Northeast Utilities System will receive additional compensation of \$750 per half-day plus necessary expenses. In addition, when the spouses of Trustees are invited to attend functions of the Board, the Company pays for the travel-related expenses of the spouses that attend such functions. The payment of a Trustee's spousal expenses is considered imputed income to the individual Trustee, and the Company makes a gross-up payment to each such Trustee to cover the tax liability for the imputed income associated with such spousal expenses.

Following is a summary table that describes all compensation paid or accrued by each non-employee Trustee of NU in 2006.

Trustee Name	Year	Fees Earned or Paid in Cash(1)(\$)	Stock Awards(2)(\$)	Option Awards(3)(\$)	Non-Equity Incentive Compensation(\$)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings(4)(\$)	All Other Compensation(5)(\$)	Total(\$)
Richard H. Booth	2006	112,250	59,400			0	508	172,158
Cotton M. Cleveland	2006	94,500	59,400			8,028	899	162,827
Sanford Cloud, Jr.	2006	121,509	59,400			435	749	182,093
James F. Cordes	2006	117,509	59,400			2,072	1,362	180,343
E. Gail de Planque	2006	124,259	63,150			0	3,081	190,490
John G. Graham	2006	107,750	69,400			6,850	686	184,686
Elizabeth T. Kennan	2006	181,125	59,400			0	3,597	244,122
Kenneth R. Leibler	2006	17,250	37,680			0	294	55,224
Robert E. Patricelli	2006	113,884	65,025			0	0	178,909
John F. Swope	2006	104,000	59,400			0	131	163,531

- (1) Represents the aggregate dollar amount of all fees earned or paid in cash, including annual retainer fees, committee and/or chairmanship fees, and meeting fees, and includes the amount of cash compensation deferred at the election of the Trustee. For the fiscal year ended December 31, 2006, Mrs. Cleveland deferred receipt of one-hundred percent of her board retainer and Mr. Graham deferred receipt of one-hundred percent of his retainer and meeting fees.
- (2) Represents the aggregate dollar amount of RSU grants expensed in 2006 under generally accepted accounting principles. Retainers paid to the Chairs of the Compensation and Audit Committees are received half in cash and half in common shares of Northeast Utilities. Amounts reported for Dr. de Planque and Messrs. Graham and Patricelli reflect the amount of these shares which represent half of their applicable retainers. For Mr. Patricelli, the Fees Earned or Paid in Cash total includes \$5,625 for one-half of the retainer paid to him as Chair of the Compensation Committee during the period January 1 through July 11, 2006 that was converted to 279 NU common shares. For Dr. de Planque, the Fees Earned or Paid in Cash total includes \$3,750 for one-half of the retainer paid to her as Chair of the Compensation Committee during the period July 12 through December 31, 2006 that was converted to 168 NU common shares. For Mr. Graham, the Fees Earned or Paid in Cash total includes \$10,000 for one-half of the retainer paid to him as Chair of the Audit Committee during the period January 1 through December 31, 2006 that was converted to 477 NU common shares. Mr. Graham deferred the receipt of these shares in accordance with the provisions of the Northeast Utilities Deferred Compensation Plan for Trustees. As of December 31, 2006, each non-employee Trustee has the following number of restricted share holdings: 14,786 for Mr. Booth; 12,850 for Mrs. Cleveland; 7,415 for Mr. Cloud; 9,757 for Mr. Cordes; 8,010 for Dr. de Planque; 15,712 for Mr. Graham; 15,221 for Dr. Kennan; 1,510 for Mr. Leibler; 6,355 for Mr. Patricelli, and 11,712 for Mr. Swope.

These amounts represent restricted shares and restricted share units, including deferred share units (except for Mr. Leibler, who only has restricted share units) held in deferral accounts under the Northeast Utilities Deferred Compensation Plan for Trustees, for all years of service as a non-employee Trustee, plus applicable dividend equivalents that are subject to the same restrictions as the underlying restricted share units. As of December 31, 2006, each non-employee Trustee has the following number of options, all of which are vested: 5,000 for Mr. Booth; 12,500 for Mrs. Cleveland; 7,500 for Mr. Cloud; 5,000 for Mr. Cordes; 12,500 for Dr. de Planque; 9,000 for Dr. Kennan; 12,500 for Mr. Patricelli, and 12,500 for Mr. Swope. Neither Mr. Graham nor Mr. Leibler had options to purchase Company shares as of December 31, 2006. These restricted holdings as well as the option holdings of each non-employee Trustee are included in the Security Ownership Table appearing prior to the Compensation Discussion and Analysis section of this proxy.

- (3) No option awards were made to non-employee Trustees in the fiscal year ended December 31, 2006.
- (4) This column reports, for those non-employee Trustees who deferred any part of their cash compensation, the difference between the interest earned on those deferrals under the NU Deferred Compensation Plan for Trustees and an IRS-prescribed applicable federal rate which represents a market rate of return. Northeast Utilities does not provide pension benefits to its non-employee Trustees.
- (5) This column reports the amount of tax gross-ups provided to non-employee Trustees.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Trustees and executive officers of Northeast Utilities and persons who beneficially own more than ten percent of the outstanding common shares of Northeast Utilities to file reports of ownership and changes in ownership with the Securities and Exchange Commission and the New York Stock Exchange. Based on such reports and the written representations of our Trustees and executive officers, Northeast Utilities believes that for the year ended December 31, 2006, all such reporting requirements were complied with in a timely manner, except for Dr. Elizabeth Kennan, who reported one late transaction on a Form 4 filed on May 30, 2006. The delay was the result of administrative oversight at the Company and was not the fault of the reporting person.

SHARE PERFORMANCE CHART

The following chart compares the cumulative total return on an investment in Northeast Utilities common shares with the cumulative total return of the S&P 500 Stock Index and the S&P Electric Companies Index over the last five fiscal years, in accordance with the rules of the SEC, assuming \$100 invested on January 1, 2002 in Northeast Utilities common shares, the S&P 500 Index and the S&P Electric Companies Index, with all dividends reinvested. Total return of Northeast Utilities common shares assumes reinvestment of all dividends on payment date. Values shown are as of December 31 of each year.

Comparison of Five Year Cumulative Total Return Among

Northeast Utilities, S&P 500 Index and S&P Electric Utilities Index

(Assumes \$100 invested on January 1, 2002 in Northeast Utilities (NU) common shares,

S&P 500 Index and S&P Electric Utilities Index with all dividends reinvested)

PROPOSAL 2

RATIFICATION OF THE SELECTION OF AUDITORS

The independent registered public accounting firm of Deloitte & Touche LLP was appointed by the Audit Committee to serve as independent auditors of Northeast Utilities and its subsidiaries for 2006. The shareholders ratified the selection of Deloitte & Touche LLP as the independent auditors for Northeast Utilities and its subsidiaries at the 2006 Annual Meeting of Shareholders. Pursuant to the recommendation of the Audit Committee, the Board of Trustees now recommends that shareholders ratify the selection by the Audit Committee of Deloitte & Touche LLP to conduct an audit of Northeast Utilities and its subsidiaries for 2007. The Declaration of Trust of the Company does not require that its shareholders ratify the selection of independent auditors. The Board is submitting the selection of Deloitte & Touche LLP to our shareholders for ratification as a matter of good corporate practice. Whether or not the appointment of Deloitte & Touche LLP is ratified by the shareholders, the Audit Committee may, in its discretion, change the appointment at any time during the year if it determines that such change would be in the best interests of the Company and its shareholders. This is consistent with the responsibilities of the Audit Committee as outlined in its charter.

Representatives of Deloitte & Touche LLP are expected to be present at the meeting. They will have the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions raised by shareholders at the meeting.

The affirmative vote of a majority of those votes cast at the meeting is required to ratify the selection of Deloitte & Touche LLP.

The Board of Trustees recommends that shareholders vote FOR this proposal.

RELATIONSHIP WITH INDEPENDENT AUDITORS

Pre-Approval of Services Provided by Principal Auditors

The Audit Committee has established policies and procedures regarding the pre-approval of services provided by the principal auditors. Those policies and procedures delegate pre-approval of services to the Audit Committee Chair and/or Vice Chair provided that such offices are held by Trustees who are independent within the meaning of the Sarbanes-Oxley Act of 2002 and that all such pre-approvals are presented to the Audit Committee at the next regularly scheduled meeting of the Committee.

Fees Paid to Principal Auditor

The Company's principal auditor was paid fees aggregating \$3,134,359 and \$3,535,700 for the years ended December 31, 2006 and 2005, respectively, comprised of the following:

1. Audit Fees

The aggregate fees billed to NU and its subsidiaries by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates (collectively, the Deloitte Entities), for audit services rendered for the years ended December 31, 2006 and

2005 totaled \$2,938,255 and \$3,309,000, respectively. The audit fees were incurred for audits of the annual consolidated financial statements of NU and its subsidiaries, reviews of financial statements included in quarterly reports on Form 10-Q of NU and its subsidiaries, comfort letters, consents and other costs related to registration statements and financings. The fees also included audits of internal controls over financial reporting as of December 31, 2006 and 2005.

2. Audit Related Fees

The aggregate fees billed to NU and its subsidiaries by the Deloitte Entities for audit related services rendered for the years ended December 31, 2006 and 2005 totaled \$150,000 and \$148,000, respectively, primarily related to the examination of management's assertions of CL&P's, PSNH's and WMECO's securitization subsidiaries and the Company's 401k Plan.

3. Tax Fees

The aggregate fees billed to NU and its subsidiaries by the Deloitte Entities for tax services for the years ended December 31, 2006 and 2005 totaled \$44,604 and \$55,000, respectively. These services related solely to reviews of tax returns. There were no services related to tax advice or tax planning.

4. All Other Fees

The aggregate fees billed to NU and its subsidiaries by the Deloitte Entities for the years ended December 31, 2006 and 2005 for services other than the services described above totaled \$1,500 and \$23,700, respectively, primarily related to access to an accounting research database (in 2006) and tax return software licensing (in 2005).

The Audit Committee pre-approves all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditors, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals are presented to the full Audit Committee at its next scheduled meeting. No services were provided which were not pre-approved.

The NU Audit Committee has considered whether the provision by the Deloitte Entities of the non-audit services described above was allowed under Rule 2-01(c)(4) of Regulation S-X and was compatible with maintaining auditor independence and has concluded that the Deloitte Entities were and are independent of the Company in all respects.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is solely responsible for oversight of the relationship of Northeast Utilities with its independent auditors on behalf of the Board of Trustees. As part of its responsibilities, during 2006, the Audit Committee:

received from the independent auditors the written disclosure, including the letter from the independent auditors required by the Independence Standards Board Standard No. 1 and has discussed these matters and the independent auditors independence with the independent auditors as required by the Securities and Exchange Commission independence rules, Rule 2-01 of regulation S-X;

discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61; and

reviewed and discussed the audited consolidated financial statements of Northeast Utilities for the years ended December 31, 2006 and 2005 with management.

The Board of Trustees and the Audit Committee are aware of the requirements of the Sarbanes-Oxley Act of 2002, the recent increased scrutiny of financial statement disclosures of publicly held companies and the related rulemaking issued by the Securities and Exchange Commission. The Audit Committee has discussed the appropriateness and adequacy of disclosures in the consolidated financial statements with management and the independent auditors in light of this guidance.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Trustees that the audited consolidated financial statements be included in Northeast Utilities Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the Securities and Exchange Commission.

The Committee has directed the preparation of this report and has approved its content and submission to shareholders.

Respectfully submitted,

John G. Graham (Chair)

Richard H. Booth (Vice Chair)

James F. Cordes

E. Gail de Planque

Elizabeth T. Kennan

Kenneth R. Leibler

John F. Swope

Dated: February 20, 2007

PROPOSAL 3

APPROVAL OF THE AMENDED INCENTIVE PLAN

On February 13, 2007, the Compensation Committee, on delegated authority from the Board of Trustees, adopted the Amended Incentive Plan, subject to approval of Northeast Utilities shareholders. A copy of the Amended Incentive Plan is attached as Appendix A. The Amended Incentive Plan is intended to amend and restate the Northeast Utilities Incentive Plan that was approved by Northeast Utilities shareholders at the 1998 Annual Meeting of Shareholders (the 1998 Incentive Plan) and re-approved by the shareholders at the 2003 Annual Meeting to comply with the requirements of Section 162(m) of the Code. The 1998 Incentive Plan will expire upon approval of the Amended Incentive Plan by Northeast Utilities shareholders and, accordingly, shares authorized under the 1998 Incentive Plan will not be available for grant after shareholder approval. The Amended Incentive Plan provides for the issuance of up to 4,500,000 shares of Northeast Utilities common shares over a ten-year period. No equity awards will be made under the Amended Incentive Plan unless and until it is approved by shareholders. We seek approval of the Amended Incentive Plan, in part, so that we may continue to satisfy the requirements of Section 162(m) of the Code. That Code section requires shareholder approval of the performance measures used in incentive compensation plans every five years so that Northeast Utilities can deduct all performance-based compensation. See Compliance with Section 162(m) of the Code below for more information.

The material amendments to the 1998 Incentive Plan which will be implemented upon adoption of the Amended Incentive Plan include:

an extension of the Northeast Utilities Incentive Plan through May 7, 2017.

elimination of evergreen feature: The 1998 Incentive Plan allowed the number of shares available for equity grants each year to equal one percent of outstanding Northeast Utilities common shares as of the preceding December 31. The Amended Incentive Plan will limit total shares available over the ten-year plan term to 4.5 million shares. No more than 400,000 additional shares will be granted from the 1998 Incentive Plan share pool from January 1, 2007 through the 2007 Annual Meeting. Upon adoption of the Amended Incentive Plan, all remaining shares under the 1998 Incentive Plan will be cancelled, and all future grants will come from the new 4.5 million share pool.

no option repricing: The Amended Incentive Plan will not permit options to be repriced without shareholder approval.

minimum vesting rules: The Amended Incentive Plan provides for minimum vesting of three years for restricted shares and RSUs and one year for options, except as determined by the Compensation Committee for non-employee Trustees, new hires, death, disability, retirement or change of control.

Purposes

The purposes of the Amended Incentive Plan are to continue to:

align the interests of Northeast Utilities shareholders and recipients of awards under the Amended Incentive Plan by increasing the proprietary interest of such recipients in Northeast Utilities growth and success;

advance the interests of Northeast Utilities by attracting and retaining officers and other key management employees; and

motivate such persons to act in the long-term best interests of Northeast Utilities and its shareholders.

Summary of the Amended Incentive Plan

The following general description of material features of the Amended Incentive Plan is qualified in its entirety by reference to its provisions as set forth in Appendix A.

Eligibility

No change is being proposed to the eligibility requirements of the 1998 Incentive Plan, which provides for annual incentive awards (Awards) to officers of Northeast Utilities or its affiliates at or above the Vice President level and grants of incentive stock options, non-qualified stock options, restricted stock, RSUs, stock appreciation rights and performance units to selected employees of Northeast Utilities, non-employee Trustees of Northeast Utilities (collectively, participants) and Northeast Utilities contractors, as selected by the Compensation Committee in its sole discretion. Approximately 6,000 employees and 10 non-employee Trustees will be eligible under the Amended Incentive Plan. Grants of stock options, restricted stock, RSUs, stock appreciation rights and performance units are referred to collectively as Grants.

Administration

The Amended Incentive Plan will be administered and interpreted by the Compensation Committee of the Northeast Utilities Board of Trustees. The Compensation Committee has the authority to determine (i) the persons to whom Grants may be made under the Amended Incentive Plan; (ii) the type, size and other terms and conditions of each Award or Grant; (iii) the time when the Awards and Grants will be made and the duration of any applicable exercise or restriction period, including the criteria for vesting and the acceleration of vesting; and (iv) any other matters arising under the Amended Incentive Plan. The Compensation Committee has full power and authority to administer and interpret the Amended Incentive Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Amended Incentive Plan and for conduct of its business as it deems necessary or advisable, in its sole discretion. The Board of Trustees may nonetheless ratify or approve Awards and Grants, in which case references to the Compensation Committee will be deemed to include the Board. The Compensation Committee has delegated day-to-day administration of the Amended Incentive Plan and its Grants to the Vice President of Human Resources of Northeast Utilities Service Company. The Compensation Committee has delegated authority to the Chief Executive Officer for setting and certifying the fulfillment of individual goals for, and the allocation of Grants based on such fulfillment among, Amended Incentive Plan participants, except for those whose goals, performance and Grants must be certified by a committee consisting of not less than two members of the Compensation Committee (each member of such committee must be an outside director as defined by section 162(m) of the Code, and a non-employee director as defined in Rule 16b-3 under the Exchange Act and an independent director as defined under the rules of the New York Stock Exchange) in order to satisfy those provisions with

respect to the deductibility of executive compensation and the exemption of Grants from Section 16(b) of the Exchange Act. The Compensation Committee could amend the terms of Awards granted under the Amended Incentive Plan from time to time in any manner, subject to the limitations specified in the Amended Incentive Plan.

Shares Reserved for Awards

Subject to certain anti-dilution and other adjustments, the number of common shares reserved and available for awards under the Amended Incentive Plan will, upon shareholder approval, be limited to 4,500,000 over the ten-year term beginning on the date following approval. Upon adoption of the Amended Incentive Plan shares previously reserved, but not granted, under the 1998 Incentive Plan will be cancelled. If any restricted stock, RSU, stock option or other stock-based award under the Amended Incentive Plan is forfeited or expires without the delivery of common shares, the shares subject to such award will again be available for distribution under the Amended Incentive Plan, as will shares that are surrendered by an employee, or non-employee Trustee to pay withholding taxes or as payment for the exercise price of an award thereunder. Any additions to grants made under the 1998 Incentive Plan that are still outstanding as of the effective date of the Amended Incentive Plan, such as issuance of dividend equivalents in the form of additional RSUs, will be satisfied from the 4,500,000 share reservation. Upon the occurrence of certain corporate events that affect the common shares including but not limited to a merger, share exchange, reorganization, consolidation, recapitalization, reclassification, distribution, stock dividend, stock split, reverse stock split, split-up, spin-off or issuance of rights or warrants, the Compensation Committee is authorized to make adjustments or substitutions with respect to the Amended Incentive Plan for Grants thereunder. As determined by the Compensation Committee, stock options may be exercised by payment in cash or by tendering common shares to Northeast Utilities in full or partial payment of the exercise price. Any shares delivered pursuant to a Grant may be either authorized and unissued common shares or treasury shares. No participant under the Amended Incentive Plan may receive aggregate Grants in excess of one million shares over the term of the plan. Grants under the Amended Incentive Plan may consist of (1) options intended to qualify as incentive stock options (ISOs) within the meaning of section 422 of the Code, (2) non-qualified stock options that are not intended to so qualify (NQSOs), (3) stock appreciation rights (SARs), (4) restricted stock, (5) RSUs or (6) performance units.

The permitted adjustments and substitutions are only those the Compensation Committee determines are appropriate to reflect the occurrence of such a transaction or event, including, but not limited to, adjustments to the aggregate number and kind of securities reserved for issuance under the Amended Incentive Plan, award amounts under this plan, the number and kind of securities subject to outstanding awards and, if applicable, grant or exercise prices of outstanding awards. The Compensation Committee is also authorized to provide for payment in cash in lieu of fractional awards.

Transferability

Grants are generally not transferable by the participant, except in the event of death. However, the Committee may grant NQSOs that allow the participant to transfer the NQSOs on such terms as the Committee deems appropriate.

Amendment and Termination

The Board or the Compensation Committee may amend or terminate the Amended Incentive Plan at any time; provided, however, that neither the Board nor the Committee may, without shareholder approval, make any amendment that requires shareholder approval pursuant to section 162(m) of the Code. The Amended Incentive Plan will terminate on the date immediately preceding the tenth anniversary of its effective date, unless terminated earlier by the Board or the Compensation Committee or extended with approval of the shareholders.

Terms of Awards and Grants

Annual Incentive Awards. The Amended Incentive Plan provides for annual incentive awards to officers, in the discretion of the Compensation Committee, based on a comparison of Northeast Utilities' performance for the year against the performance goals set for such year. A complete list of performance goals is set forth in Article XIV of the Amended Incentive Plan attached as Appendix A.

The actual amount of the award for any individual may be reduced by the Compensation Committee if (or to the extent) the employee does not satisfy the objectives (financial or otherwise) set by the Compensation Committee for that individual at the beginning of the fiscal year. Objectives for the fiscal year are set no later than 90 days after the beginning of that year. Generally, awards will be certified as due by the Compensation Committee and paid within 75 days following the end of the fiscal year to participants employed on the date of payment. The maximum Award for any individual for any year is \$4,000,000.

Options. The Compensation Committee may grant Options to participants (except that contractors shall be eligible to receive only grants of NQSOs). The Compensation Committee will determine the exercise price to purchase common shares subject to an option which may be equal to or greater than the fair market value of a common share on the date the option is granted. Options granted under the Amended Incentive Plan will become exercisable in the manner, at the times and in the amounts determined by the Compensation Committee, and are not subject to repricing. A participant may pay the exercise price (i) in cash, (ii) with the approval of the Compensation Committee, by delivering common shares owned by the participant and having a fair market value on the date of exercise equal to the exercise price, or (iii) by any other method approved by the Compensation Committee.

Stock Appreciation Rights. The Compensation Committee may grant SARs, either alone or in tandem with an option, to participants. A SAR under the Amended Incentive Plan will confer on the holder a right to receive, upon exercise of the SAR, the excess of (a) the fair market value of one common share on the date of exercise over (b) the grant price of the SAR as determined by the Compensation Committee (or the exercise price of the related option, if applicable), the appreciation to be paid in cash. To the extent a participant exercises a tandem SAR, the related option will terminate. Similarly, upon exercise of an option, the related SAR, if any, will terminate.

Restricted Stock. The Compensation Committee may grant shares of restricted stock to participants pursuant to the Amended Incentive Plan. Shares of restricted stock granted to participants under the Amended Incentive Plan will be subject to such restrictions and conditions, including vesting and transfer restrictions, as the Compensation Committee may

determine, including any limitation on the right to vote the shares or receive dividends on the shares. Shares may be issued for cash consideration or for no cash consideration, as the Compensation Committee determines. The number of shares granted to each participant will be determined by the Compensation Committee. Except as otherwise determined by the Compensation Committee, upon termination of an employee's employment or non-employee Trustee's service for any reason during the applicable restriction period, all shares of restricted stock still subject to restriction will be forfeited by the participant.

Restricted Share Units. The Compensation Committee may grant RSUs to participants pursuant to the Amended Incentive Plan which represent a right to receive common shares or cash at a future date determined in accordance with the participant's grant agreement. Participants have no voting rights or rights to receive cash dividends with respect to RSU grants until common shares are issued in settlement of such grants. However, the Compensation Committee may grant RSUs that entitle their holders to receive dividend equivalents, which will be subject to such restrictions and conditions, including vesting and transfer restrictions, as the Compensation Committee may determine. Except as otherwise determined by the Compensation Committee, upon termination of an employee's employment or non-employee trustee's service for any reason during the applicable restriction period, all RSUs still subject to restriction will be forfeited by the participant.

Performance Units. The Compensation Committee may grant performance units to an employee under the Amended Incentive Plan. Prior to the beginning of the applicable performance period or such later date as permitted under Section 162(m) of the Code, the Compensation Committee will establish one or more performance goals applicable to a performance unit grant. The Compensation Committee, in its discretion, may base performance goals as specified below in Compliance with Section 162(m) of the Code. Performance units may be payable in cash or, subject to the maximum plan limit, in Common Shares at the end of a specified performance period. Payment will be contingent upon achieving performance goals by the end of the performance period. A complete list of performance goals is set forth in Article XIV of the Amended Incentive Plan attached as Appendix A. If Performance Units are paid in cash, the maximum amount that may be paid to an employee with respect to a performance period is \$4,000,000.

Following completion of the applicable performance period, the Compensation Committee will determine the extent to which the applicable performance goals have been attained and the resulting value to be paid to the participant. The Compensation Committee retains the discretion to eliminate or reduce, but not increase, the amount that would otherwise be payable to the participant on the basis of the performance goals attained. However, no such reduction may increase the amount paid to any other participant. The Compensation Committee will determine the performance criteria, the length of the performance period, the maximum payment value of an award, and the minimum performance goals required before payment will be made.

Compliance with Section 162(m) of the Code. Under Section 162(m) of the Code, Northeast Utilities may be precluded from claiming a federal income tax deduction for total remuneration in excess of \$1,000,000 paid to the CEO or to any of the other four most highly compensated executive officers in any one year. Total remuneration includes amounts received upon the exercise of stock options granted under the Incentive Plan and the value of shares received when the shares of restricted stock became transferable (or such other time

when income is recognized). An exception exists, however, for qualified performance-based compensation. The Amended Incentive Plan is intended to allow certain awards and grants to meet the requirements of qualified performance-based compensation, relying on the attainment of such Performance Goals as the Compensation Committee may determine. For more information on the definition of Performance Goals, a copy of the Amended Incentive Plan is attached as Appendix A.

Stock options and SARs should generally meet the requirements of qualified performance-based compensation, if the exercise price is at least equal to the fair market value of the common shares on the date of grant. The Compensation Committee may grant annual incentive awards and performance units that are intended to be qualified performance-based compensation under section 162(m) of the Code. In that event, the Compensation Committee will establish in writing the objective performance goals that must be met (based on the financial criteria summarized in Article XIV of the Amended Incentive Plan attached as Appendix A), the performance period and other conditions of the award before the beginning of the annual incentive period (or within 90 days after its commencement), performance period or during a period permitted by Section 162(m) of the Code. The performance goals may relate to the employee's business unit or the performance of Northeast Utilities and its subsidiaries as a whole, or any combination of the two. The Compensation Committee will not have discretion to increase the amount of compensation that is payable upon achievement of performance goals. At the end of each performance period, the Compensation Committee will certify the results of the performance goals and the extent to which the performance goals have been met.

Minimum vesting. The Amended Incentive Plan provides minimum vesting of three years for restricted shares and RSUs and one year for options, except as determined by the Compensation Committee for non-employee Trustees, new hires, death, disability, retirement or change of control.

Deferrals. The Compensation Committee may require or permit a participant to defer the receipt of Common Shares or RSUs or other Awards under the Amended Incentive Plan. If so provided by the Compensation Committee, participants may elect to defer the receipt of the common shares awarded by timely filing an election to establish a notional deferred share account in compliance with applicable tax rules and procedures established by the Compensation Committee. Each deferred share credited to such an account represents an unfunded obligation of Northeast Utilities to issue a common share on a future payment date. The deferred shares will or will not earn cash dividend equivalents as the Compensation Committee shall determine.

Clawback. Under the Amended Incentive Plan, upon written demand of Northeast Utilities, an employee will be required to reimburse or forfeit all or a portion of any award or grant paid to the employee under the Amended Incentive Plan where: (i) payment of the award or grant was predicated on the achievement of certain financial results that were subsequently the subject of a substantial restatement of the financial statements of Northeast Utilities, (ii) in the view of the Board of Trustees the employee engaged in fraud or misconduct that caused or partially caused the need for the substantial restatement, and (iii) a lower payment would have been made to the employee based on the restated financial results.

Summary of U.S. Federal Income Tax Consequences

The following summary is intended only as a general guide to the U.S. federal income tax consequences of participation in the Amended Incentive Plan and does not attempt to describe all possible federal or other tax consequences of such participation or tax consequences based on particular circumstances.

Incentive Stock Options. An optionee recognizes no taxable income for regular income tax purposes as a result of the grant or exercise of an ISO qualifying under Section 422 of the Code. Optionees who neither dispose of their shares within two years following the date the option was granted nor within one year following the exercise of the option will normally recognize a capital gain or loss equal to the difference, if any, between the sale price and the purchase price of the shares. If an optionee satisfies such holding periods upon a sale of the shares, Northeast Utilities will not be entitled to any deduction for federal income tax purposes. If an optionee disposes of shares within two years after the date of grant or within one year after the date of exercise (a disqualifying disposition), the difference between the fair market value of the shares on the determination date and the option exercise price (not to exceed the gain realized on the sale if the disposition is a transaction with respect to which a loss, if sustained, would be recognized) will be taxed as ordinary income at the time of disposition. The determination date is the date on which the option is exercised unless the shares are subject to a substantial risk of forfeiture (as in the case where an optionee is permitted to exercise an unvested option and receive unvested shares which, until they vest, are subject to Northeast Utilities' right to repurchase them at the original exercise price upon the optionee's termination of service) and are not transferable, in which case the determination date is the earlier of (i) the date on which the shares become transferable or (ii) the date on which the shares are no longer subject to a substantial risk of forfeiture. If the determination date is after the exercise date, the optionee may elect, pursuant to Section 83(b) of the Code, to have the exercise date be the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date the option is exercised. Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. Any ordinary income recognized by the optionee upon the disqualifying disposition of the shares generally should be deductible by Northeast Utilities for federal income tax purposes, except to the extent such deduction is limited by applicable provisions of the Code.

The difference between the option exercise price and the fair market value of the shares on the determination date of an incentive stock option (see discussion under *Non-qualified Stock Options* below) is treated as an adjustment in computing the optionee's alternative minimum taxable income and may be subject to an alternative minimum tax which is paid if such tax exceeds the regular tax for the year. Special rules may apply with respect to certain subsequent sales of the shares in a disqualifying disposition, certain basis adjustments for purposes of computing the alternative minimum taxable income on a subsequent sale of the shares and certain tax credits which may arise with respect to optionees subject to the alternative minimum tax.

Non-Qualified Stock Options. Options not designated or qualifying as incentive stock options will be non-qualified stock options having no special tax status. An optionee generally recognizes no taxable income as the result of the grant of such an option. Upon exercise of a non-qualified stock option, the optionee normally recognizes ordinary income in the amount of

the difference between the option exercise price and the fair market value of the shares on the determination date (as defined below). If the optionee is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of stock acquired by the exercise of a non-qualified stock option, any gain or loss, based on the difference between the sale price and the fair market value on the determination date, will be taxed as capital gain or loss. No tax deduction is available to Northeast Utilities with respect to the grant of a non-qualified stock option or the sale of the stock acquired pursuant to such grant. Northeast Utilities generally should be entitled to a deduction equal to the amount of ordinary income recognized by the optionee as a result of the exercise of a non-qualified stock option, except to the extent such deduction is limited by applicable provisions of the Code.

Stock Appreciation Rights. There are no federal income tax consequences to a participant or to the Company upon the grant of an SAR under the Amended Incentive Plan. Upon the exercise of an SAR, the participant will receive the appreciation inherent in the SAR in cash and will recognize ordinary compensation income in an amount equal to the cash received. The Company generally will be entitled to a corresponding federal income tax deduction at the time of the exercise of the SAR.

Restricted Stock. A participant generally will recognize no income upon the grant of restricted stock, and the Company will not be entitled to a deduction until such shares are transferable by the participant or no longer subject to a substantial risk of forfeiture, whichever is earlier. When the shares are either transferable or no longer subject to a substantial risk of forfeiture, the participant will recognize ordinary income in an amount equal to the fair market value of the shares at that time, and the Company will be generally entitled to a deduction in the same amount, except to the extent such deduction is limited by applicable Code provisions. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. A participant may, however, elect to recognize ordinary compensation income in the year the restricted stock is granted in an amount equal to the fair market value of the shares subject to the restricted stock grant, determined without regard to the restrictions. In such event, the Company generally will be entitled to a corresponding deduction in the same year. Any gain or loss recognized by the participant upon subsequent disposition of the shares will be long-term or short-term capital gain or loss, depending upon the length of time the participant held his or her shares before the disposition.

Restricted Share Units. A participant generally will recognize no income upon the grant of an RSU. An RSU grant provides the participant the right to receive a payment based on the value of NU common shares. RSUs may be subject to such vesting requirements, restrictions and conditions to payment as the Compensation Committee determines are appropriate. Upon the settlement of an RSU grant, participants normally will recognize ordinary income in the year of receipt in an amount equal to the cash received and the fair market value of any non-restricted shares received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of any shares received, any gain or loss, based on the difference between the sale price and the amount of ordinary income realized upon settlement of the grant, will be taxed as capital gain or loss. The Company generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent

such deduction is limited by applicable provisions of the Code. In some situations, a grant of RSUs will provide for an automatic deferral upon lapse of a substantial risk of forfeiture. In such case the value of the RSUs may be subject to taxation for employment taxes, in which case a number of RSUs may be forfeited to provide for such withholding.

Performance Units. There are no federal income tax consequences to a participant or to the Company upon the grant of performance units under the Amended Incentive Plan. If the participant receives payment of the performance units in cash, the participant will recognize ordinary compensation income in an amount equal to the cash received. If the participant receives payment of the performance units in shares, the participant will recognize ordinary compensation income in an amount equal to the fair market value of the shares received. The Company generally will be entitled to a corresponding federal income tax deduction at the time of the payment of the performance units. Upon the sale of any shares acquired upon payment of the performance units, a participant will have a capital gain or loss (long-term or short-term depending upon the length of time the shares were held) in an amount equal to the difference between the amount realized upon the sale and the participant's adjusted tax basis in the shares (the amount of ordinary income recognized by the participant at the time of the payment of the performance units).

Section 409A. The Amended Incentive Plan has been written to comply, by its terms, with Section 409A of the Code and to allow participants to avoid the adverse tax consequences of not complying with the requirements of Section 409A; however, in the event that an Award or Grant issued under the Amended Incentive Plan constitutes a deferral of compensation under a nonqualified deferred compensation plan, as such term is defined under Section 409A, such Award or Grant may be modified or cancelled in the discretion of the Compensation Committee to comply with the requirements of Section 409A (or a successor provision thereto).

Other Information

If approved by shareholders, the Amended Incentive Plan will be effective at the conclusion of the 2007 Annual Meeting of Shareholders, and will expire immediately following the 2017 Annual Meeting of Shareholders, unless extended by the Board with your approval. Any awards granted before the Amended Incentive Plan expires may extend beyond the expiration date. The Board may amend the Amended Incentive Plan at any time, provided that no such amendment will be made without shareholder approval if such approval is required under applicable law, regulation or stock exchange rule, or if such amendment would: (i) decrease the grant or exercise price for stock options or similar stock-based award to less than fair market value on the date of grant, or (ii) increase the number of Common Shares that may be distributed under the Amended Incentive Plan.

Grants Under the Amended Incentive Plan

The benefits and amounts that will be received or allocated under the Amended Incentive Plan are not determinable at this time. The dollar value of 2006 annual incentives payable in 2007 and the number of RSUs that were granted under the 1998 Incentive Plan in February 2006 are set forth in the table below.

Name and Position	2006 Annual Incentive	Number of RSUs Granted in 2006
	Dollar Value (\$)	
Charles W. Shivery (Chairman of the Board, President and CEO)	1,698,395	78,987
David R. McHale (Senior Vice President and CFO)	395,693	12,929
Cheryl W. Gris� (Executive Vice President)	530,613	20,133
Lawrence E. De Simone (President-Competitive Group)	407,692	17,866
Leon J. Olivier (Executive Vice President-Operations)	451,419	12,538
Gregory B. Butler (Senior Vice President and General Counsel)	383,279	13,164
Non-Employee Trustee Group (10 persons)	0	28,500
Non-Executive Officer Employee Group (approximately 120 persons)	2,092,618	164,015

SECURITIES AUTHORIZED FOR ISSUANCE**UNDER EQUITY COMPENSATION PLANS**

The following table sets forth the number of common shares of Northeast Utilities issuable under the equity compensation plans of the Northeast Utilities System, as well as their weighted exercise price, in accordance with the rules of the Securities and Exchange Commission:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	784,104	\$ 18.55	See Note 1
Equity compensation plans not approved by security holders	0	0	None
Total	784,104	\$ 18.55	See Note 1

Note:

- (1) Under the 1998 Incentive Plan, 7,730,755 shares were available for issuance as of December 31, 2006. In addition, an amount equal to one percent of the outstanding shares as of the end of each year becomes available for issuance under the 1998 Incentive Plan the following year. No more than 400,000 shares will be granted from this pool from January 1, 2007 through the 2007 Annual Meeting, when an amendment to the 1998 Incentive Plan will be presented to shareholders for approval. Upon adoption of this amendment, all remaining shares under the 1998

Incentive Plan will be cancelled. All future awards will be granted from shares approved by shareholders at the 2007 Annual Meeting under the terms of the Amended Incentive Plan. Under the Northeast Utilities Employee Share Purchase Plan II, 6,506,110 additional shares are available for issuance.

The Board of Trustees recommends that shareholders vote FOR this proposal.

OTHER MATTERS

The Board of Trustees knows of no matters other than the foregoing to come before the meeting. However, if any other matters come before the meeting, the persons named in the enclosed proxy will vote in their discretion with respect to such other matters.

By order of the Board of Trustees,

Kerry J. Kuhlman

Vice President and Secretary

ANNUAL REPORT TO SHAREHOLDERS AND

ANNUAL REPORT ON FORM 10-K

Northeast Utilities Annual Report to Shareholders for the year ended December 31, 2006, including financial statements, is being mailed with or prior to this proxy statement. An additional copy of the Annual Report will be mailed to any shareholder upon request. Northeast Utilities will provide shareholders with a copy of its 2006 Annual Report on Form 10-K to the SEC, including the financial statements and schedules thereto, without charge, upon receipt of a written request sent to:

O. Kay Comendul

Assistant Secretary

Northeast Utilities

Post Office Box 270

Hartford, Connecticut 06141-0270

APPENDIX A

Northeast Utilities Incentive Plan

Adopted by Northeast Utilities Board of Trustees on January 13, 1998

Amended and Restated by Northeast Utilities Compensation Committee of the Board of Trustees on February 13, 2007

ARTICLE I

PURPOSE

The purpose of the Northeast Utilities Incentive Plan (the *Plan*) is to provide (i) designated employees of the Company (as hereinafter defined in Article X) and (ii) non-employee members of the Board of Trustees (the *Board*) of Northeast Utilities, a Massachusetts business trust (*NU*), with the opportunity to receive annual incentive compensation and grants of incentive stock options, nonqualified stock options, stock appreciation rights, restricted shares, restricted share units and performance units. The Company believes that the Plan will assist it in recruiting talented employees who will contribute materially to the growth of the Company, thereby benefiting NU's shareholders and aligning the economic interests of the participants with those of the shareholders.

For purposes of the Plan, definitions appear in the Plan and as set forth in Article XIV.

ARTICLE II

ADMINISTRATION

1. *Committee*. The Plan shall be administered and interpreted by the Board's Compensation Committee, or the person or persons to which such committee delegates any of its functions under the Plan (the *Committee*). The Committee may consist of two or more persons appointed by the Board, all of whom shall be outside directors as defined under section 162(m) of the Internal Revenue Code of 1986, as amended (the *Code*) and related Treasury regulations and non-employee directors as defined under Rule 16b-3 under the Exchange Act. Members of the Committee shall be independent as defined under the listing standards of the New York Stock Exchange. However, the Board may ratify or approve any grants as it deems appropriate or as are submitted by the Committee.

2. *Committee Authority*. The Committee shall have the authority to amend or terminate the Plan as provided in Article XII. The Committee shall have the sole authority to (i) establish, and review the Company's and the Grantee's, as defined below, performance against annual goals for purpose of the annual incentives to be distributed and determine the individuals to whom grants shall be made under the Plan, (ii) determine the type, size and terms of the grants to be made to each such individual, (iii) determine the time when the grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability (iv) establish such rules and regulations or take such action as it deems necessary or advisable for the proper administration of the Plan, including the delegation of day-to-day plan administration, and (v) deal with any other matters arising under the Plan.

3. *Committee Determinations.* The Committee shall have full power and authority to administer and interpret the Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Plan and for the conduct of its business as it deems necessary or advisable, in its sole discretion. The Committee's interpretations of the Plan and all determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all persons having any interest in the Plan or in any awards granted hereunder including, but not limited to, the Company, the Committee, the Board, the affected Participants, and their respective successors in interest. All powers of the Committee shall be executed in its sole discretion, in the best interest of the Company, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated individuals.

ARTICLE III

ANNUAL INCENTIVE AWARDS

1. *Eligibility for Participation.* Each employee of the Company classified as a Vice President or higher (an Executive Employee) shall be eligible to receive an annual incentive award (an Award) under the Plan

2. *Annual Awards.*

(a) As soon as practicable after the start of each fiscal year of NU, but in any event within 90 days, the Committee shall set the Performance Goals for the Company which shall be the basis for determining the Awards to be paid to each Executive Employee for such fiscal year and the Committee shall communicate the target and the percentages (including minimums and maximums) for each Executive Employee applicable to each level of achievement against the target set. In no event may an individual Award for an Executive Employee exceed \$4,000,000.

(b) The maximum amount of an Award for an Executive Employee shall be based upon the Company's performance compared against the Performance Goals set for that fiscal year. The actual amount of the Award for any Executive Employee shall be reduced, accordingly, by the Committee if the Executive Employee does not satisfy one or more individual financial or nonfinancial objectives set by the Committee for that Executive Employee as of the beginning of the relevant fiscal year. Any such objectives for an Executive Employee shall be set by the Committee and announced to the affected Executive Employee no later than 90 days after the commencement of the relevant fiscal year of NU.

(c) The Committee shall certify and announce the Awards that will be paid by the Company to each Executive Employee as soon as practicable following the final determination of the Company's financial results for the relevant fiscal year. Payment shall normally be made in cash, or in shares of Company Stock or Options, the value of which shall equal the amount to be distributed, all as determined by the Committee, within 90 days following the end of such fiscal year, provided that the Executive Employee has not separated from employment by the Company prior to the date that payment is due except as otherwise specifically provided in a contract between the Company and the Executive Employee. The Committee may provide for complete or partial exceptions to this requirement if an Executive Employee's employment terminated on account of Retirement, termination without Cause, death or Disability or a Change of Control.

ARTICLE IV

STOCK-BASED GRANTS

1. *Grants.* Grants under the Plan may consist of grants of incentive stock options (*Incentive Stock Options*) or nonqualified stock options (*Nonqualified Stock Options*) (Incentive Stock Options and Nonqualified Stock Options are collectively referred to as *Options*), restricted stock (*Restricted Stock*), restricted share units (*Restricted Share Units* or *RSUs*), stock appreciation rights (*SARs*), and/or performance units (*Performance Units*) (hereinafter collectively referred to as *Grants*). Grants may be awarded singly, in combination or in tandem with other Grants. All Grants shall be subject to the terms and conditions set forth herein and to such other terms and conditions consistent with this Plan as the Committee deems appropriate and as are specified in writing by the Committee to the individual in a grant instrument or an amendment to the grant instrument (the *Grant Instrument*). The Committee shall approve the form and provisions of each Grant Instrument. Grants under a particular Section of the Plan need not be uniform as among the Grantees, as defined below.

2. *Eligibility for Participation.*

(a) *Eligible Persons.* All employees of the Company (*Employees*), including Employees who are officers or members of the Board, contractors of the Company (*Contractors*), and members of the Board who are not Employees (*Non-Employee Trustees*) shall be eligible to receive Grants under the Plan. Contractors shall be eligible to receive Grants only of Nonqualified Stock Options.

(b) *Selection of Grantees.* The Committee shall select the Employees and Contractors to receive Grants and shall determine the number of shares of Company Stock subject to a particular Grant in such manner as the Committee determines. Employees, Contractors and Non-Employee Trustees who receive Grants under this Plan shall hereinafter be referred to as *Grantees* .

(c) *Collective Bargaining Employees.* Anything to the contrary in this Plan notwithstanding, no Employee whose terms and conditions of employment are subject to negotiation with a collective bargaining agent shall be eligible to receive Grants under this Plan until the agreement between the Company and such collective bargaining agent with respect to the Employee provides for participation in the Plan.

3. *Granting of Options.*

(a) *Number of Shares.* The Committee shall determine the number of shares of Company Stock that will be subject to each Grant of Options to Employees and Contractors subject to the overall limits of Article IX.

(b) *Type of Option and Price.*

(i) The Committee may grant Incentive Stock Options that are intended to qualify as *incentive stock options* within the meaning of section 422 of the Code or Nonqualified Stock Options that are not intended so to qualify or any combination of Incentive Stock Options and Nonqualified Stock Options, all in accordance with the terms and conditions set forth herein. Incentive Stock Options may be granted only to Employees. Nonqualified

Stock Options may be granted to Employees, Contractors and Non-Employee Trustees.

(ii) The purchase price (the Exercise Price) of Company Stock subject to an Option shall be determined by the Committee and shall be equal to or greater than the Fair Market Value (as defined below) of a share of Company Stock on the date the Option is granted; provided, however, that an Incentive Stock Option may not be granted to an Employee who, at the time of grant, owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any parent or subsidiary of the Company, unless the Exercise Price per share is not less than 110% of the Fair Market Value of Company Stock on the date of grant. The Committee may not modify the applicable Exercise Price after the date of Grant.

(iii) If the Company Stock is publicly traded, then the Fair Market Value per share shall be the closing price of the Company Stock as reported in the Wall Street Journal as composite transactions for the relevant date (or the latest date for which such price was reported if such date is not a business day), or if not available, determined as follows: (x) if the principal trading market for the Company Stock is the New York Stock Exchange, the last reported sale price thereof on the relevant date or (if there were no trades on that date) the latest preceding date upon which a sale was reported, (y) if the principal trading market for the Company Stock is a national securities exchange other than the New York Stock Exchange or is the NASDAQ National Market, the last reported sale price thereof on the relevant date or (if there were no trades on that date) the latest preceding date upon which a sale was reported, or (z) if the Company Stock is not principally traded on such exchange or market, the mean between the last reported bid and asked prices of Company Stock on the relevant date, as reported on NASDAQ or, if not so reported, as reported by the National Daily Quotation Bureau, Inc. or as reported in a customary financial reporting service, as applicable and as the Committee determines. If the Company Stock is not publicly traded or, if publicly traded, is not subject to reported transactions or bid or asked quotations as set forth above, the Fair Market Value per share shall be as determined by the Committee.

(c) *Option Term.* The Committee shall determine the term of each Option. The term of any Option shall not exceed ten years from the date of grant. However, an Incentive Stock Option that is granted to an Employee who, at the time of grant, owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company, or any parent or subsidiary of the Company, may not have a term that exceeds five years from the date of grant.

(d) *Exercisability of Options.* Options shall become exercisable in accordance with such terms and conditions, consistent with the Plan, as may be determined by the Committee and specified in the Grant Instrument. The Committee may accelerate the exercisability of any or all outstanding Options at any time for any reason.

(e) *Termination of Employment, Retirement, Disability or Death.*

(i) Except as provided below, an Option may be exercised only while the Grantee is employed by, or providing service to, the Company as an Employee, a Contractor, or a member of the Board. In the event that a Grantee ceases to be employed by, or provide service to, the Company then, unless the Committee deems otherwise, all outstanding Options will expire upon termination from employment or service with the Board for

Cause, or any other reason, including termination on account of Retirement, Disability, or death.

(ii) For purposes of this Plan and programs thereunder:

(A) Cause shall mean, except to the extent specified otherwise by the Committee acting on behalf of the Company, (i) the Grantee's conviction of a felony, (ii) in the reasonable determination of the Committee, the Grantee's (x) commission of an act of fraud, embezzlement, or theft in connection with the Grantee's duties in the course of the Grantee's employment with the Company, (y) acts or omissions causing intentional, wrongful damage to the property of the Company or intentional and wrongful disclosure of confidential information of the Company, or (z) engaging in gross misconduct or gross negligence in the course of the Grantee's employment with the Company, or (iii) the Grantee's material breach of his or her obligations under any written agreement with the Company if such breach shall not have been remedied within 30 days after receiving written notice from the Committee specifying the details thereof. For purposes of this Program, an act or omission on the part of a Grantee shall be deemed intentional only if it was not due primarily to an error in judgment or negligence and was done by Grantee not in good faith and without reasonable belief that the act or omission was in the best interest of the Company. In the event a Grantee's employment or service is terminated for cause, in addition to the immediate termination of all Grants, the Grantee shall automatically forfeit all shares underlying any exercised portion of an Option for which the Company has not yet delivered the share certificates, upon refund by the Company of the Exercise Price paid by the Grantee for such shares.

(B) Disability shall mean a Grantee's being determined to be disabled within the meaning of the long-term disability plan or program that is a part of the Northeast Utilities Service Company Group Insurance Plan (or any successor plan or program, hereafter, the LTD Program); provided, however, that any payment to a Participant on account of a Disability may not commence until the Participant is determined to be disabled pursuant to Section 409A(a)(2)(C) of the Code, or as renumbered.

(C) Employed by, or provide service to, the Company shall mean employment or service as an Employee, Contractor or member of the Board (so that, for purposes of exercising Options and SARs and satisfying conditions with respect to Restricted Stock, RSUs and Performance Units, a Grantee shall not be considered to have terminated employment or service until the Grantee ceases to be an Employee, Contractor and member of the Board), unless the Committee determines otherwise.

(D) Retired shall mean a termination of employment from the Company, other than for Cause on or after the earlier to occur of (x) attainment of age 65, (y) eligibility for payments under the Supplemental Executive Retirement Plan for Officers of Northeast Utilities System Companies, or employment-related agreement with the Company, or (z) attainment of age 55 after completing at least ten years of vesting service under the Northeast Utilities Service Company 401k Plan.

(f) *Exercise of Options.* A Grantee may exercise an Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company with payment of the Exercise Price. The Grantee shall pay the Exercise Price for an Option as specified by the Committee:

(i) in cash,

(ii) with the approval of the Committee, by delivering shares of Company Stock owned by the Grantee (including Company Stock acquired in connection with the exercise of an Option or Restricted Stock, as defined below, granted under this Plan, subject to such restrictions as the Committee deems appropriate including placing the same restrictions on the shares of Company Stock obtained through the exchange of the Restricted Stock) and having a Fair Market Value on the date of exercise equal to the Exercise Price, or

(iii) by such other method as the Committee may approve, including payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board. The Grantee shall pay the Exercise Price and the amount of any withholding tax due at the time of exercise.

(g) *Limits on Incentive Stock Options.* Each Incentive Stock Option shall provide that, if the aggregate Fair Market Value of the stock on the date of the grant with respect to which Incentive Stock Options are exercisable for the first time by a Grantee during any calendar year, under the Plan or any other stock option plan of the Company exceeds \$100,000, then the option, as to the excess, shall be treated as a Nonqualified Stock Option. An Incentive Stock Option shall not be granted to any person who is not an Employee of the Company.

ARTICLE V

STOCK-BASED GRANTS TO NON-EMPLOYEE TRUSTEES

1. *Eligibility for Participation.* Non-Employee Trustees shall be eligible to receive Grants as set forth in Article IV; provided, that the number of shares of Company Stock subject to each Grant of Options, as well as the terms of all Grants, to Non-Employee Trustees shall be approved by the Board, in accordance with Article (9) of the Declaration of Trust of Northeast Utilities, as amended.

2. *Terms of Retirement.* The words "age 65" in the definition of "Retired" in Section 3(e)(ii)(D) of Article IV shall be read as "age 70" with respect to Non-Employee Trustees.

ARTICLE VI

RESTRICTED STOCK AND RESTRICTED SHARE UNIT GRANTS

1. *Restricted Stock Grants.* Subject to the terms and conditions of the Plan, the Committee may issue or transfer shares of Company Stock to a Grantee with such restrictions as the Committee deems appropriate ("Restricted Stock"). The following provisions are applicable to Restricted Stock:

(a) *General Requirements.* Shares of Company Stock issued or transferred pursuant to Restricted Stock Grants may be issued or transferred in exchange for services performed or to be performed. The Committee may establish conditions under which restrictions on shares of Restricted Stock shall lapse over a period of time or according to such other criteria as the Committee deems appropriate. The period of time during which the Restricted Stock will remain subject to restrictions (the "Restriction Period") will be designated in the Grant Instrument

(b) *Number of Shares.* The Committee shall determine the number of shares of Company Stock to be issued or transferred pursuant to a Restricted Stock Grant and the restrictions applicable to such shares, subject to the limitations contained in Article IX.

(c) *Requirement of Employment or Service.* If the Grantee ceases to be employed by, or provide service to, the Company during the Restriction Period, or if other specified conditions are not met, the Restricted Stock Grant shall terminate as to all shares covered by the Grant as to which the restrictions have not lapsed, and those shares of Company Stock must be immediately returned to the Company. The Committee may, however, provide for complete or partial exceptions to this requirement as it deems appropriate.

(d) *Restrictions on Transfer and Legend on Share Certificate.* During the Restriction Period, a Grantee may not sell, assign, transfer, pledge or otherwise dispose of the shares of Restricted Stock except to a Successor Grantee, as defined below. The Committee may determine that the Company will issue certificates for shares of Restricted Stock, in which case each certificate for a share of Restricted Stock shall contain a legend giving appropriate notice of the restrictions in the Grant. The Grantee shall be entitled to have the legend removed from the share certificate covering the shares subject to restrictions when all restrictions on such shares have lapsed. The Committee may determine that the Company will not issue certificates for shares of Restricted Stock until all restrictions on such shares have lapsed, or that the Company will retain possession of certificates for shares of Restricted Stock until all restrictions on such shares have lapsed.

(e) *Right to Vote and to Receive Dividends.* Unless the Committee determines otherwise, the Grantee shall have the right to vote Restricted Stock and to receive any dividends or other distributions paid on such shares during the Restriction Period subject to any restrictions deemed appropriate by the Committee.

(f) *Lapse of Restrictions.* All restrictions imposed on Restricted Stock shall lapse upon the expiration of the applicable Restriction Period and the satisfaction of all conditions imposed by the Committee. The Committee may determine, as to any or all Restricted Stock Grants, that the restrictions shall lapse without regard to any Restriction Period.

2. *Restricted Share Unit Grants.*

(a) *Restriction Period.* The Committee may make Grants of Restricted Share Units to Employees and Non-Employee Trustees representing the right to receive shares of Company Stock, cash, or both, as determined by the Committee (hereafter, *Restricted Share Units*). At the end of the Restriction Period, subject to any deferral election that may be made or applied to the Grant pursuant to subsection (c) below, cash or shares or both shall be delivered to the Grantee (unless previously forfeited). Restricted Share Units may not be sold, assigned, transferred, pledged or otherwise encumbered during the Restriction Period. A Grantee of Restricted Share Units shall have none of the rights of a holder of Company Stock unless and until shares of Company Stock are actually delivered in satisfaction of such Restricted Share Units.

(b) *Number of Units.* The Committee shall determine the number of Restricted Share Units pursuant to a Restricted Share Unit Grant and the restrictions applicable to such shares, subject to the limitations contained in Article IX.

(c) *Requirement of Employment or Service.* If the Grantee ceases to be employed by, or provide service to, the Company during a period designated in the Grant Instrument as the Restriction Period, or if other specified conditions are not met, the Restricted Share Unit Grant shall terminate as to all Restricted Share Units covered by the Grant as to which the

restrictions have not lapsed. The Committee may, however, provide for complete or partial exceptions to this requirement if an Executive Employee's employment or Non-Employee Trustee's service with the Board ends on account of Retirement, termination without Cause, death or Disability or due to a Change of Control, as it deems appropriate.

(d) *Dividend Equivalents*. The Committee may determine that a Grant Instrument with respect to Restricted Share Units may provide that the Grantee shall be entitled to receive as compensation from the Company dividend equivalents with respect thereto, in the form determined by the Committee from the effective date of the Grant Instrument through the earlier of (i) the date the Restricted Share Unit is forfeited, and (ii) the date Company Stock representing such Restricted Share Units or cash is delivered to the Grantee as provided herein.

(e) *Deferrals of Restricted Share Units*. The Committee may provide for the automatic deferral of the payment of Restricted Share Units upon the lapse of restrictions on the Grant or permit a Grantee to elect deferral by filing a written election with the Committee in accordance with such procedures as the Committee may from time to time specify. Such deferral will extend until the date or dates specified in such election; provided, however, that any such deferral election shall be made in accordance with rules under Section 409A of the Code.

3. *Withholding*. The Company shall have the right to deduct from any settlement of a Grant of Restricted Shares or Restricted Share Units, including the delivery or vesting of shares or dividend equivalents, an amount sufficient to cover withholding required by law for any federal, state or local taxes or to take such other action as may be necessary to satisfy any withholding obligations. The Committee may permit shares to be used to satisfy required tax withholding, and such shares shall be valued at the fair market value as of the settlement date of the applicable Grant.

4. *Section 162(m)*. Notwithstanding any other provision of the Plan or the terms of any Grant or Award issued hereunder, Grants of Restricted Stock or Restricted Share Units under this Article VI are not intended to be or meet the requirements for qualified performance based compensation under Section 162(m) of the Code or Treasury Regulation § 1.162-27(e).

ARTICLE VII

STOCK APPRECIATION RIGHTS

1. *Stock Appreciation Rights*.

(a) *General Requirements*. The Committee may grant stock appreciation rights (SARs) to a Grantee separately or in tandem with any Option (for all or a portion of the applicable Option). Tandem SARs may be granted either at the time the Option is granted or at any time thereafter while the Option remains outstanding; provided, however, that, in the case of an Incentive Stock Option, SARs may be granted only at the time of the Grant of the Incentive Stock Option. The Committee shall establish the base amount of the SAR at the time the SAR is granted. The base amount of each SAR shall be equal to the per share Exercise Price of the related Option or, if there is no related Option, the Fair Market Value of a share of Company Stock as of the date of Grant of the SAR (Base Amount). The Committee may not modify the applicable Base Amount of the SAR after the date of Grant.

(b) *Tandem SARs.* In the case of tandem SARs, the number of SARs granted to a Grantee that shall be exercisable during a specified period shall not exceed the number of shares of Company Stock that the Grantee may purchase upon the exercise of the related Option during such period. Upon the exercise of an Option, the SARs relating to the Company Stock covered by such Option shall terminate. Upon the exercise of SARs, the related Option shall terminate to the extent of an equal number of shares of Company Stock.

(c) *Exercisability.* An SAR shall be exercisable during the period specified by the Committee in the Grant Instrument and shall be subject to such vesting and other restrictions as may be specified in the Grant Instrument. SARs may only be exercised while the Grantee is employed by the Company or during the applicable period after termination of employment as described in Article IV, Section 3(e). A tandem SAR shall be exercisable only during the period when the Option to which it is related is also exercisable.

(d) *Value of SARs.* When a Grantee exercises SARs, the Grantee shall receive in settlement of such SARs an amount equal to the spread value for the number of SARs exercised, payable in cash. The spread value for an SAR is the amount representing the difference by which the Fair Market Value of the underlying Company Stock on the date of exercise of the SAR exceeds the base amount of the SAR as described in Subsection (a).

(e) *Form of Payment.* For purposes of calculating the amount of cash to be received, shares of Company Stock shall be valued at their Fair Market Value on the date of exercise of the SAR and cash shall be distributed, net of applicable withholding taxes.

ARTICLE VIII

PERFORMANCE UNITS

1. *Performance Units.*

(a) *General Requirements.* The Committee may grant performance units (Performance Units) to an Employee. Each Performance Unit shall represent the right of the Grantee to receive an amount based on the value of the Performance Unit, if performance goals established by the Committee are met. A Performance Unit shall be based on the Fair Market Value of a share of Company Stock or on such other measurement base as the Committee deems appropriate. The Committee shall determine the number of Performance Units to be granted and the requirements applicable to such Units, subject to the limitations contained in Article IX.

(b) *Performance Period and Performance Goals.* When Performance Units are granted, the Committee shall establish the Performance Period during which performance shall be measured, Performance Goals applicable to the Units and such other conditions of the Grant as the Committee deems appropriate. Performance Goals may relate to the financial performance of the Company or its operating units, the performance of Company Stock, individual performance, or such other criteria as the Committee deems appropriate.

(c) *Payment with respect to Performance Units.* At the end of each Performance Period, the Committee shall determine to what extent the Performance Goals and other conditions of the Performance Units are met and the amount, if any, to be paid with respect to the

Performance Units. Payments with respect to Performance Units shall be made in cash, in Company Stock, or in a combination of the two, as determined by the Committee.

(d) *Requirement of Employment or Service.* If the Grantee ceases to be employed by, or provide service to, the Company (as defined in Article IV, Section 3(e)) during a Performance Period, or if other conditions established by the Committee are not met, the Grantee's Performance Units shall be forfeited. The Committee may, however, provide for complete or partial exceptions to this requirement if an Executive Employee's employment ends on account of Retirement, termination without Cause, death or Disability or due to a Change of Control, as it deems appropriate.

(e) *Designation as Qualified Performance-Based Compensation.* The Committee may determine that Performance Units granted to a Grantee shall be considered qualified performance-based compensation under Section 162(m) of the Code. The provisions of this subsection (e) shall apply to Grants of Performance Units that are to be considered qualified performance-based compensation under Section 162(m) of the Code.

(i) *Performance Goals.* When Performance Units that are to be considered qualified performance-based compensation are Granted, the Committee shall establish in writing (i) the objective Performance Goals that must be met in order for amounts to be paid under the Performance Units, (ii) the Performance Period during which the performance goals must be met, (iii) the threshold, target and maximum amounts that may be paid if the Performance Goals are met, and (iv) any other conditions, including without limitation provisions relating to death, disability, other termination of employment or Change of Control, that the Committee deems appropriate and consistent with the Plan and Section 162(m) of the Code. The performance goals may relate to the Employee's business unit or the performance of the Company and its subsidiaries as a whole, or any combination of the foregoing.

(ii) *Establishment of Goals.* The Committee shall establish the Performance Goals in writing either before the beginning of the Performance Period or during a period ending no later than the earlier of (i) 90 days after the beginning of the Performance Period or (ii) the date on which 25% of the Performance Period has been completed, or such other date as may be required or permitted under applicable regulations under Section 162(m) of the Code. The performance goals shall satisfy the requirements for qualified performance-based compensation, including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the performance goals have been met. The Committee shall not have discretion to increase the amount of compensation that is payable upon achievement of the designated performance goals.

(iii) *Maximum Payment.* The number of Performance Units granted and paid in shares shall not exceed the limit specified under Article IX(1)(a). If Performance Units are paid in cash, the maximum amount that may be paid to an Employee with respect to a Performance Period is \$4,000,000.

(iv) *Announcement of Grants.* The Committee shall certify and announce the results for each Performance Period to all Grantees immediately following the announcement of the Company's financial results for the Performance Period. If and to the extent that the Committee does not so certify that the performance goals have been met, the grants of Performance Units for the Performance Period shall be forfeited.

ARTICLE IX

AUTHORIZED SHARES

1. *Shares Subject to the Plan.*

(a) *Shares Reserved for Grants and Awards.* The aggregate number of common shares of NU, par value \$5.00, (Company Stock) that may be subject to Grants of Options, or transferred on account of other Grants or Awards under the Plan may not exceed 4.5 million shares. The shares may be authorized but unissued shares of Company Stock or reacquired shares of Company Stock, including shares purchased by the Company on the open market for purposes of the Plan. If and to the extent (i) Options or SARs granted under the Plan terminate, expire, or are canceled, forfeited, exchanged or surrendered without having been exercised (other than for reasons of the Exercise Price of the Option being less than the current Fair Market Value thereof), or (ii) any shares of Restricted Stock, RSUs or Performance Units are forfeited, or (iii) Company Stock, including RSUs, are used by the Participant to pay withholding taxes or as payment for the Exercise Price of the Grant, then the shares not made the subject of Grants and Awards, and the shares subject to such terminated, expired, canceled, forfeited, exchanged or surrendered Grants and Awards shall again be available for purposes of the Plan in addition to the number of shares of Company Stock otherwise available for Grants and Awards. No Participant under the Plan may receive aggregate Grants and Awards in excess of one million shares over the term of the Plan.

(b) *Adjustments.* If there is any change in the number or kind of shares of Company Stock outstanding (i) by reason of a stock dividend, spinoff, recapitalization, stock split, or combination or exchange of shares, (ii) by reason of a merger, reorganization or consolidation in which NU is the surviving entity, (iii) by reason of a reclassification or change in par value, or (iv) by reason of any other extraordinary or unusual event affecting the outstanding Company Stock as a class without NU's receipt of consideration, or (v) otherwise in the event of an equity restructuring within the meaning of Statement of Financial Accounting Standards No. 123 (revised 2004), other than (x) any distribution of securities or other property by the Company to shareholders in a spin-off or split-off that does not qualify as a tax-free spin-off of split-up under Section 355 of the Code (or any successor provision of the Code) or (y) any cash dividend (other than an extraordinary cash dividend or distribution), then the maximum number of shares of Company Stock available for Grants, the number of shares covered by outstanding Grants, the kind of shares issued under the Plan, and the price per share or the applicable market value of such Grants, including the per share exercise price of Options and Stock Appreciation Rights, shall be appropriately adjusted by the Committee to reflect any increase or decrease in the number of, or change in the kind or value of, issued shares of Company Stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under such Grants; provided, however, that any fractional shares resulting from such adjustment shall be eliminated. Any increase to the number or kind of shares of Company Stock outstanding under this Article IX(1)(b) occurring on or after May 9, 2007 shall result in the adjustment in the 4.5 million shares authorized under Article IX(1)(a). No such adjustment shall be required to reflect the events described in clauses (x) and (y) above, or any other change in capitalization that does not constitute an equity restructuring; however, such adjustment may be made if the Committee determines that such adjustment is appropriate. Any adjustments determined by the Committee shall be final, binding and conclusive.

(c) *Minimum Vesting Requirement.* Grants of Restricted Stock or RSUs made pursuant to the Plan shall vest ratably no sooner than the first business day of each of the three years following the calendar year of the Grant. Grants of Options shall vest no sooner than the first business day of the year following the calendar year of the Grant. The Committee may, in its discretion, determine such other vesting schedule as it deems appropriate, except that any such other vesting schedule must fulfill at least the applicable minimum requirements set forth in the prior two sentences. The Committee may provide for complete or partial exceptions to these requirements as it deems appropriate in the case of a Participant whose service with the Company ends for reason of Retirement, Death, or Disability, or in the case of a Grant to a Non-Employee Trustee or a newly-hired Employee, or upon a Change of Control of NU.

ARTICLE X

OPERATING RULES

1. *Withholding of Taxes.* All Grants under the Plan shall be subject to applicable federal (including FICA), state and local tax withholding requirements. The Company shall have the right to deduct from all Grants paid in cash, or from other wages paid to the Grantee, any federal, state or local taxes required by law to be withheld with respect to such Grants. In the case of Options and other Grants paid in Company Stock, the Company may require the Grantee or other person receiving such shares to pay to the Company the amount of any such taxes that the Company is required to withhold with respect to such Grants, or the Company may deduct from other wages paid by the Company the amount of any withholding taxes due with respect to such Grants. If the Committee so permits, a Grantee may elect to satisfy the Company's income tax withholding obligation with respect to an Option, SAR, Restricted Stock, Restricted Share Units or Performance Units that are paid in Company Stock, by having shares withheld up to an amount that does not exceed the Grantee's minimum applicable withholding tax rate for federal (including FICA), state and local tax liabilities. The election must be in a form and manner prescribed by the Committee.

2. *Transferability of Grants.*

(a) *Nontransferability of Grants.* Except as provided below, only the Grantee may exercise rights under a Grant during the Grantee's lifetime. A Grantee may not transfer those rights except by will or by the laws of descent and distribution or, with respect to Grants other than Incentive Stock Options, if permitted in any specific case by the Committee, pursuant to a domestic relations order (as defined under the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the regulations thereunder). When a Grantee dies, the personal representative or other person entitled to succeed to the rights of the Grantee (Successor Grantee) may exercise such rights. A Successor Grantee must furnish proof satisfactory to the Company of his or her right to receive the Grant under the Grantee's will or under the applicable laws of descent and distribution.

(b) *Transfer of Nonqualified Stock Options.* Notwithstanding the foregoing, the Committee may provide, in a Grant Instrument, that a Grantee may transfer Nonqualified Stock Options to family members, one or more trusts for the benefit of family members, or one or more partnerships of which family members are the only partners, according to such terms as the Committee may determine; provided that the Grantee receives no consideration for the transfer of an Option and the transferred Option shall continue to be subject to the same terms and conditions as were applicable to the Option immediately before the transfer.

3. *Requirements for Issuance or Transfer of Shares.* No Company Stock shall be issued or transferred in connection with any Grant hereunder unless and until all legal requirements applicable to the issuance or transfer of such Company Stock have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any Grant made to any Grantee hereunder on such Grantee's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares of Company Stock as the Committee shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and certificates representing such shares may be legended to reflect any such restrictions. Certificates representing shares of Company Stock issued or transferred under the Plan will be subject to such stop-transfer orders and other restrictions as may be required by applicable laws, regulations and interpretations, including any requirement that a legend be placed thereon.

4. *Funding of the Plan.* This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Grants under this Plan. In no event shall interest be paid or accrued on any Grant, including unpaid installments of Grants.

5. *Rights of Participants.* Nothing in this Plan shall entitle any Employee or Non-Employee Trustee or other person to any claim or right to be granted a Grant under this Plan except as provided in Article V. Neither this Plan nor any action taken hereunder shall be construed as giving any individual any rights to be retained by or in the employ of the Company or any other employment rights, nor shall they interfere in any way with the right of the Company, a subsidiary or an affiliate to terminate the employment of any Employee at any time.

6. *No Fractional Shares.* No fractional shares of Company Stock shall be issued or delivered pursuant to the Plan or any Grant. The Committee shall determine whether cash, other awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

7. *Headings.* Section headings are for reference only. In the event of a conflict between a title and the content of a Section, the content of the Section shall control.

8. *Effective Date of the Plan.* Subject to approval by NU's shareholders, the Plan as amended and restated, is effective on May 9, 2007.

9. *Definition of Company.* Company means NU and any Affiliate which is authorized by the Board to adopt the Plan and cover its eligible employees and whose designation as such has become effective upon acceptance of such status by the board of directors of the Affiliate. An Affiliate may revoke its acceptance of such designation at any time, but until such acceptance has been revoked, all the provisions of the Plan, including the authority of the Board and the Committee, and amendments thereto shall apply to the eligible employees of the Affiliate. In the event the designation is revoked by the board of directors of an Affiliate, the Plan shall be deemed terminated only with respect to such Affiliate. For the purposes hereof, Affiliate means each direct and indirect affiliated company that directly or through one or more intermediaries, controls, is controlled by, or is under common control with NU.

ARTICLE XI

CHANGE OF CONTROL OF NU

1. *Change of Control of NU.*

As used herein, a Change of Control shall be deemed to have occurred:

(i) When any person, as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the Exchange Act), other than the Company, its affiliates, or any Company or NU employee benefit plan (including any trustee of such plan acting as trustee), is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of NU representing more than 20% of the combined voting power of either (i) the then outstanding common shares of NU (the Outstanding Common Shares) or (ii) the then outstanding voting securities of NU entitled to vote generally in the election of directors (the Voting Securities); or

(ii) Individuals who, as of the beginning of any twenty-four month period, constitute the Trustees (the Incumbent Trustees) cease for any reason to constitute at least a majority of the Trustees or cease to be able to exercise the powers of the majority of the Trustees, provided that any individual becoming a trustee subsequent to the beginning of such period whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the trustees then comprising the Incumbent Trustees shall be considered as though such individual were a member of the Incumbent Trustees, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Trustees of NU (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(iii) Consummation by NU of a reorganization, merger or consolidation (a Business Combination), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Common Shares and Voting Securities immediately prior to such Business Combination do not, following consummation of all transactions intended to constitute part of such Business Combination, beneficially own, directly or indirectly, more than 75% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation, business trust or other entity resulting from or being the surviving entity in such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Common Shares and Voting Securities, as the case may be; or

(iv) Consummation of a complete liquidation or dissolution of NU or sale or other disposition of all or substantially all of the assets of NU other than to a corporation, business trust or other entity with respect to which, following consummation of all transactions intended to constitute part of such sale or disposition, more than 75% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Shares and Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the

Outstanding Common Shares and Voting Securities, as the case may be, immediately prior to such sale or disposition.

2. Consequences of a Change of Control.

(a) *Notice.* Upon a Change of Control, the Company shall provide each Grantee with outstanding Grants written notice of such Change of Control.

(b) *Assumption of Grants.* Upon a Change of Control where the Company is not the surviving corporation (or survives only as a subsidiary of another corporation), unless the Committee determines otherwise, all outstanding Options and SARs that are not exercised and all outstanding restricted shares, restricted share units and Performance Units that are denominated in shares of Company Stock shall be assumed by, or replaced with comparable options, rights or entitlements by, the surviving corporation.

(c) *Other Alternatives.* Notwithstanding the foregoing, subject to subsection (d) below, in the event of a Change of Control, the Committee may take any of the following actions: the Committee may (i) require that Grantees surrender their outstanding Options, SARs, restricted shares, restricted share units and Performance Units that are denominated in shares of Company Stock in exchange for a payment by the Company, in cash or Company Stock as determined by the Committee, in an amount equal to the restricted shares, restricted share units or Performance Units (based on the then Fair Market Value of shares of Company Stock), or with respect to unexercised Options or SARs, in the amount by which the then Fair Market Value of the shares of Company Stock subject to the Grantee's unexercised Options and SARs exceeds the Exercise Price of the Options or the base amount of the SARs, as applicable, or (ii) after giving Grantees an opportunity to exercise their outstanding Options and SARs, terminate any or all unexercised Options and SARs at such time as the Committee deems appropriate. Such surrender or termination shall take place as of the date of the Change of Control or such other date as the Committee may specify.

(d) *Committee.* The Committee making the determinations under this Article XI, Section 2(d) following a Change of Control must comprise the same members as those on the Committee immediately before the Change of Control. If the Committee members do not meet this requirement, the automatic provisions of Subsections (a) and (b) shall apply, and the Committee shall not have discretion to vary them.

(e) *Limitations.* Notwithstanding anything in the Plan to the contrary, in the event of a Change of Control, the Committee shall not have the right to take any actions described in the Plan (including without limitation actions described in Subsection (c) above) that would make the Change of Control ineligible for pooling of interests accounting treatment or that would make the Change of Control ineligible for desired tax treatment if, in the absence of such right, the Change of Control would qualify for such treatment and the Company intends to use such treatment with respect to the Change of Control.

ARTICLE XII

AMENDMENT AND TERMINATION

1. Amendment and Termination of the Plan.

(a) *Amendment.* The Board or the Committee may amend or terminate the Plan at any time; provided, however, that neither the Board nor the Committee shall amend the Plan without shareholder approval if such approval is required by Sections 162(m) or 422 of the Code.

(b) *Termination of the Plan.* The Plan shall terminate on the day preceding the tenth anniversary of its effective date, unless the Plan is terminated earlier by the Board or the Committee, or is extended by the Board or the Committee with the approval of the shareholders.

(c) *Termination and Amendment of Outstanding Grants.* A termination or amendment of the Plan that occurs after a Grant is made shall not materially impair the rights of a Grantee unless the Grantee consents, unless the Committee acts under Article XI, Section 2(c), or unless the amendment or termination is required under statute, regulation, other law, or rule of a governing or administrative body having the effect of a statute or regulation. The termination of the Plan shall not impair the power and authority of the Committee with respect to an outstanding Grant.

(d) *Governing Document.* The Plan shall be the controlling document. No other statements, representations, explanatory materials or examples, oral or written, may amend the Plan in any manner. The Plan shall be binding upon and enforceable against the Company and its successors and assigns.

ARTICLE XIII

MISCELLANEOUS

1. *Grants in Connection with Corporate Transactions and Otherwise.* Nothing contained in this Plan shall be construed to (i) limit the right of the Committee to make Grants under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including Grants to employees thereof who become Employees of the Company, or for other proper corporate purposes, or (ii) limit the right of the Company to grant stock options or make other awards outside of this Plan. Without limiting the foregoing, the Committee may make a Grant to an employee of another corporation who becomes an Employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company or any of its subsidiaries in substitution for a stock option or restricted stock grant made by such corporation. The terms and conditions of the substitute grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives. The Committee shall prescribe the provisions of the substitute grants.

2. *Compliance with Law.* The Plan, the exercise of Options and SARs and the obligations of the Company to issue or transfer shares of Company Stock under Grants shall be subject to all applicable laws and to approvals by any governmental or regulatory agency as may be required. With respect to persons subject to section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. In addition, it is the intent of the Company that the Plan and applicable Grants under the Plan comply with the applicable provisions of sections 162(m) and 422 of the Code, and any other applicable law or regulation having the effect of law. To the extent that any legal requirement of section 16 of the Exchange Act or section 162(m) or 422 of the Code as set forth in the Plan ceases to be required under section 16 of the Exchange Act or section 162(m) or 422 of the Code, that Plan provision shall cease to apply. The Committee may revoke any Grant if it is contrary to law or modify a Grant to bring it into compliance with any valid and mandatory government regulation. The Committee may also adopt rules regarding the withholding of taxes on

payments to Grantees. The Committee may, in its sole discretion, agree to limit its authority under this Section.

3. *Deferred Compensation.* Any deferrals made under the Plan, including awards granted under the Plan that are considered to be deferred compensation, must satisfy the requirements of Section 409A of the Internal Revenue Code to avoid adverse tax consequences to participating employees. These requirements include limitations on election timing, acceleration of payments, and distributions. The Company intends to structure any deferrals and awards under the Plan to meet the applicable tax law requirements.

4. *Payment of Awards.* The Committee, either at the time of Grant or by subsequent amendment, may require or permit deferral of the payment of Awards or Grants under such rules and procedures as it may establish.

5. *Clawback.* Upon written demand of the Company, an Employee will reimburse or forfeit all or a portion of any Award or Grant paid to the Employee under the Plan where: (i) payment of the Award or Grant was predicated on the achievement of certain financial results that were subsequently the subject of a substantial restatement of the financial statements of the Company, (ii) in the judgment of the Board the Employee engaged in fraud or misconduct that caused or partially caused the need for the substantial restatement, and (iii) a lower payment would have been made to the Employee based on the restated financial results. In the event the Employee fails to make prompt reimbursement of any such Award or Grant previously paid or delivered, the Company may, to the extent permitted by applicable law, deduct the amount required to be reimbursed from the Grantee's compensation otherwise due from the Company; provided, however, that the Company will not seek to recover upon Awards or Grants paid more than three years prior to the date the applicable restatement is disclosed.

6. *Governing Law.* The validity, construction, interpretation and effect of the Plan and Grant Instruments issued under the Plan shall exclusively be governed by and determined in accordance with the law of the State of Connecticut.

7. *Disclaimer of Liability.* The Declaration of Trust of NU provides that no shareholder of NU shall be held to any liability whatever for the payment of any sum of money, or for damages or otherwise under any contract, obligation or undertaking made, entered into or issued by the Board or by any officer, agent or representative elected or appointed by the Board, and no such contract, obligation or undertaking shall be enforceable against the Board or any of them in their or his or her individual capacities or capacity and all such contracts, obligations and undertakings shall be enforceable only against the Board as such, and every person or entity, having any claim or demand arising out of any such contract, obligation or undertaking shall look only to the trust estate for the payment or satisfaction thereof.

ARTICLE XIV

DEFINITIONS

When used herein, each of the following terms shall have the corresponding meaning set forth below unless a different meaning is plainly required by the context in which a term is used:

14.1 **Award** is an annual incentive award made to an Employee as provided in Article III.

- 14.2 Cause is described in Article IV(3)(e)(ii)(A).
- 14.3 Change of Control is described in Article XI(1).
- 14.4 Code is the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.
- 14.5 Committee is described in Article II(1).
- 14.6 Company Stock or Stock is Northeast Utilities common shares, as described in Article IX(1)(a).
- 14.7 Company or NU is described in Article X.
- 14.8 Disability is described in Article IV(3)(e)(ii)(B).
- 14.9 Exchange Act is the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.
- 14.10 Exercise Price is described in Article IV(3)(b)(ii).
- 14.11 Fair Market Value is, as of any given date, the value of Company Stock, as provided in Article IV(3)(b)(iii), or as otherwise determined by the Committee.
- 14.12 Grant is described in Article IV(1).
- 14.13 Grantee is the individual to whom a Grant is made, as provided in Article IV, Section 2(b).
- 14.14 Grant Instrument is described in Article IV(1).
- 14.15 Incentive Stock Option is described in Article IV(3)(b).
- 14.16 Nonqualified Stock Option is described in Article IV(3)(b).
- 14.17 Option is an Incentive Stock Option or a Nonqualified Stock Option, as described in Article IV(3)(b).
- 14.18 Participant is any eligible individual to whom an Award or Grant is made.
- 14.19 Performance Goals means the objectives for the Company or any subsidiary or affiliate or any unit thereof or any individual that may be established by the Committee for a Performance Period with respect to any performance-based Awards or Grants contingently awarded under the Plan. The Performance Goals for Awards or Grants that are intended to constitute performance-based compensation within the meaning of Section 162(m) (or any amended or successor provision) of the Code shall be based on one or more of the following criteria, either individually, alternatively or in any combination, and subject to such modifications or variations as specified by the Committee, applied to either the Company as a whole or to a business unit or subsidiary entity thereof, either individually, alternatively or in any combination, and measured over a period of time including any portion of a year, annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as

specified by the Committee: cash flow; cash flow from operations; earnings (including, but not limited to, earnings before interest, taxes, depreciation and amortization or operating earnings); earnings per share, diluted or basic; earnings per share from continuing operations; net asset turnover; inventory turnover; capital expenditures; debt; debt reduction; credit rating; working capital; return on investment; return on sales; net or gross sales; market share; economic value added; cost of capital; change in assets; expense reduction levels; unit volume; productivity; delivery performance; service levels; safety record; stock price; return on equity; total shareholder return; return on capital; return on assets or net assets; revenue; income or net income; operating income or net operating income; operating profit or net operating profit; gross margin, operating margin or profit margin; and completion of acquisitions, divestitures, business expansion, product diversification, new or expanded market penetration and other non-financial operating and management performance objectives, or other strategic business criteria consisting of one or more objectives based on satisfaction of specified revenue goals, geographic business expansion goals or cost targets.

With respect to awards that are intended to qualify as performance-based compensation within the meaning of Section 162(m) and to the extent consistent with Section 162(m) of the Code and the regulations promulgated thereunder, the Committee may, unless otherwise determined by the Committee at the time the Performance Goals are established, adjust the Performance Goals to exclude the effect of any of the following events that occur during a Performance Period: the impairment of tangible or intangible assets; litigation or claim judgments or settlements; changes in tax law, accounting principles or other such laws or provisions affecting reported results; business combinations, reorganizations and/or restructuring programs that have been approved by the Board; reductions in force and early retirement incentives; and any extraordinary, unusual, infrequent or non-recurring items separately identified in the financial statements and/or notes thereto in accordance with generally accepted accounting principles. Notwithstanding the foregoing and with respect to awards that are not intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code, the Committee may, in its discretion, adjust Performance Goals as it considers necessary or appropriate.

14.20 Performance Period is the period selected by the Committee during which the performance of the Company or any subsidiary, affiliate or unit thereof or any individual is measured for the purpose of determining the extent to which an Award or Grant subject to Performance Goals or time vesting has been earned.

14.21 Performance Unit is described in Article VIII(1)(a).

14.22 Plan is this Northeast Utilities Incentive Plan, as amended from time to time.

14.23 Qualified Performance-Based Compensation is described in Article VIII(1)(e).

14.24 Restriction Period is described in Article VI(1)(a) and (2)(a).

14.25 Restricted Stock is a Grant described in Article VI.

14.26 Restricted Share Units or RSUs is a Grant described in Article VI.

14.27 Retired is described in Article IV(3)(e)(ii)(D).

14.28 Stock Appreciation Right or SAR is a right granted pursuant to Article VII.

YOUR VOTE IS IMPORTANT

VOTE BY INTERNET / TELEPHONE

24 HOURS A DAY, 7 DAYS A WEEK

Internet and telephone voting is available through 7:00 AM EST the day prior to the annual meeting day.

Your Internet or Telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

VOTE BY INTERNET
<https://www.proxypush.com/nu>

Go to the website address listed above.

Have your proxy card ready.

Follow the instructions that appear on your computer screen.

VOTE BY TELEPHONE
1-866-362-6716

OR Use any touch-tone telephone.

Have your proxy card ready.

Follow the simple recorded instructions.

VOTE BY MAIL

OR Mark, sign and date your proxy card.

Detach your proxy card.

Return your proxy card in the postage prepaid envelope provided.

If you vote your proxy by Internet or by telephone, please do NOT mail back your proxy card

ELECTRONIC DELIVERY FOR FUTURE ANNUAL MEETING MATERIALS NOW AVAILABLE

You can now receive your Annual Report and Proxy Statement electronically over the Internet instead of receiving those documents in print. Participation is completely voluntary. You may revoke your consent at any time.

To give your consent for electronic delivery in future years, please register on-line at www.proxyconsent.com/nu.

ÚDETACH PROXY CARD HEREÚ

(Unless you vote by internet or phone, please sign, date and return this proxy in the enclosed postage prepaid envelope.)

x
Votes must be indicated
(x) in Black or Blue ink.

The Board of Trustees recommends a vote FOR proposals 1, 2 and 3.

1. Election of Trustees as provided in the Company s Proxy Statement.

FOR All

**WITHHOLD
 AUTHORITY**

**FOR ALL EXCEPT
 AS MARKED "**

2. To ratify the selection of Deloitte & Touche LLP as our independent auditors for 2007.

FOR AGAINST ABSTAIN

nominees listed "

to vote for all nominees listed "

..

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To vote for all nominees, mark the **FOR** box. To withhold voting on all nominees, mark the **WITHHELD AUTHORITY** box. To withhold voting for a particular nominee(s), mark the **FOR ALL EXCEPT AS MARKED** box and strike a line through the name of the nominee(s) in the list provided.

3. To approve the adoption of the Northeast Utilities Incentive Plan, as amended and restated.

Nominees: 01 Richard H. Booth, 02 Cotton Mather Cleveland,

To change your address, please mark this box.

03 Sanford Cloud, Jr., 04 James F. Cordes,

05 E. Gail de Planque, 06 John G. Graham,

07 Elizabeth T. Kennan, 08 Kenneth R. Leibler,

09 Robert E. Patricelli, 10 Charles W. Shivery, and

11 John F. Swope.

SCAN LINE

The undersigned hereby revokes any other proxy to vote at such Annual Meeting, and hereby ratifies and confirms all that said proxies, and each of them, may lawfully do by virtue hereof. **With respect to matters not known at the time of the solicitations hereof, said proxies are authorized to vote in accordance with their best judgment.**

Date Share Owner sign here

Co-Owner sign here

IMPORTANT: Unless voting electronically or by telephone, this proxy should be marked, dated and signed by the shareholder(s) exactly as his or her name appears hereon, and returned promptly in the enclosed envelope. Persons signing as a fiduciary should so indicate. If shares are held by joint tenants or as community property, both must sign.

PROXY

NORTHEAST UTILITIES

PROXY

Proxy for Annual Meeting of Shareholders - May 8, 2007

The undersigned appoints CHARLES W. SHIVERY and ELIZABETH T. KENNAN, and each of them, proxies of the undersigned, with full power of substitution, to act for and to vote all common shares of Northeast Utilities that the undersigned would be entitled to cast if personally present at the 2007 Annual Meeting of Shareholders of Northeast Utilities to be held on May 8, 2007, and any postponement or adjournment thereof, upon the matters indicated below.

This proxy, when properly executed, will be voted as directed, or if no contrary direction is indicated, will be voted FOR Proposals 1, 2 and 3. The proxies are further authorized to vote, in their discretion, upon such other business as may properly come before the meeting or any postponement or adjournment thereof.

THIS PROXY CARD IS SOLICITED ON BEHALF OF THE BOARD OF TRUSTEES

(Continued and to be dated and signed on the reverse side.)

For registered holders only (not NUSCO 401K plan participants):

To include any comments, please mark this box
and provide your comments below.

NORTHEAST UTILITIES

P.O. BOX 11236

NEW YORK, N.Y. 10203-0236