

the Thrift Plan. The Columbia Plan proposes that the LESOP will be terminated on the Effective Date in accordance with the provisions of the LESOP trust and that Columbia will concurrently repurchase the Common Stock currently held by the LESOP trust (the "LESOP Shares"). It is Columbia's intention to initially hold the LESOP Shares in treasury and later reissue or otherwise utilize them for one of the following purposes deemed appropriate by Columbia: (i) selling LESOP Shares on the market over time, (ii) funding distributions to Columbia Transmission's creditors pursuant to the TCO Guarantee (defined below), (iii) using them in connection with funding approved employee benefit programs and/or (iv) funding the settlement of the Securities Action pursuant to the Columbia Plan.

G. Public Offering of Additional Columbia Equity

If Columbia elects to redeem the Preferred Stock and DECS on or prior to the 120th day after the Effective Date and elects to fund such redemption through the issuance and sale of up to 16 million shares of Common Stock or preferred stock, authorization is requested for the issuance of such securities subject to a reservation of jurisdiction over the terms of any such issuance and sale of Common Stock and preferred stock.

H. Potential Offering of Columbia Securities in Connection with Settlement of Securities Action

The Columbia Plan proposes the payment by Columbia and other non-debtor defendants of up to \$18 million to settle the claims in connection with the Securities Action. Under the Columbia Plan, Columbia has the option to increase this settlement amount if, based on the filing of supplemental proofs of claim or questionnaires, as authorized by the Bankruptcy Court, it is insufficient to meet the range of recoveries provided for in the Columbia Plan. In that event, the Columbia Plan provides that Columbia may elect to pay its portion of the settlement amount exceeding \$18 million in the form of Common Stock or may withdraw its settlement offer and elect to pay securities claims, when and if allowed by the Bankruptcy Court, in Common Stock or cash.

I. Restated Certificate of Incorporation

The Columbia Plan provides that Columbia's certificate of incorporation will be amended and restated (the "Restated Certificate of Incorporation") in accordance with applicable

provisions of the Delaware General Corporation Law and the Bankruptcy Code. The Restated Certificate of Incorporation, as more specifically described in the application-declaration, would, among other things, prohibit the issuance of non-voting equity securities as required by the Bankruptcy Code and increase the number of authorized shares of Preferred Stock (some of which may be issued on and after the Effective Date in order to effectuate the Columbia Plan as described above).

The Restated Certificate of Incorporation also includes various provisions that are necessary to permit the issuance of Preferred Stock and DECS under the Columbia Plan. These provisions differ from the similar provisions in the current Certificate of Incorporation in that they (i) decrease the par value of Preferred Stock from fifty dollars (\$50) to ten dollars (\$10), (ii) delete the restriction on Common Stock dividends and amounts of secured debt, (iii) remove and conform specific provisions regarding preferred voting rights, dividend rights and liquidation rights and (iv) permit the Board of Directors to determine the specific rights, powers and preferences of each series of Preferred Stock, and the limitations thereon, at the time of issuance.

J. The Columbia Omnibus Settlement Under the TCO Plan

To facilitate the TCO Plan and in exchange for settlement of the litigation challenging Columbia's claims against Columbia Transmission and certain transfers made by Columbia Transmission to Columbia and another affiliate prior to the Petition Date and retention of its ownership of Columbia Transmission, the Columbia Board of Directors authorized the "Columbia Omnibus Settlement" whereby Columbia will:

(i) Make a capital infusion into Columbia Transmission of approximately \$1 billion, said capital contribution to have two components: (A) Columbia will agree to a restructuring of Columbia Transmission secured debt and the acceptance of \$1.5 billion in new secured debt in settlement of the \$2 billion claim held by Columbia under the existing secured debt, resulting in an approximate \$500 million capital contribution of the balance of the claim. (B) Columbia will agree to provide cash to Columbia Transmission necessary so that the total amount distributable under the TCO Plan equals approximately \$3.9 billion including the approximate \$2 billion of Columbia's secured claim referred to above. Columbia Transmission is

projecting cash on hand totaling approximately \$1.4 billion as of December 31, 1995. Therefore, the shortfall that Columbia would fund through an additional capital contribution would be approximately \$500 million, of which about \$300 million could be met by Columbia's proportionate recovery on the Columbia Transmission unsecured debt held by it and recovery by another subsidiary on its claims followed by a dividend out of retained earnings by that subsidiary to Columbia. (ii) Guarantee (the "TCO Guarantee") (a) the settlement reached by Columbia Transmission with its customers and payments to dissenting customers with respect to ultimately allowed claims (the "Customer Settlement") and (b) the payment of the same distribution percentage of ultimately allowed claims of claimants who do not accept the TCO Plan, including producers that ultimately do not accept the Columbia Transmission Producer Settlement ("Dissenting Producers"). In the event that payments required by the TCO Plan to Dissenting Producers (and dissenting customers) increase the total required distributions over the projected \$3.9 billion by an amount which requires external funding, Columbia will have the option to utilize Common stock in lieu of cash payments (and, of course, the option to sell Common Stock in the marketplace and utilize the proceeds for such excess distributions). Under these possible circumstances, whichever technique is employed, Columbia's investment in Columbia Transmission will be correspondingly increased.

Accepting producers have agreed to a 5 percent (5%) holdback from the distributions due to them and have agreed that, to the extent that claim values in excess of the settlement values contained in the TCO Plan are agreed to or proven, the holdback will be applied with dollar for dollar matching by Columbia Transmission (and Columbia under the TCO Guarantee) to pay the ultimate distributions to Dissenting Producers. Thus, there is a sharing by the accepting producers of a portion of the risk that the aggregate distribution to producers pursuant to the TCO Plan may exceed the settlement amount contained in the Plan. If the holdback is expended, Columbia Transmission would be required to pay the entire amount of the excess.

Northeast Utilities Service Co., et al. (70-8641)

Northeast Utilities Service Company ("NU Service"), 107 Selden Street, Berlin, Connecticut, 06037, a nonutility subsidiary company of Northeast