As filed with the Securities and Exchange Commission on August 12, 1997

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

NRG ENERGY, INC.
(Exact Name of Registrant as specified in its charter)

DELAWARE	4911	41-1724239
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1221 NICOLLET MALL, SUITE 700
MINNEAPOLIS, MINNESOTA 55403
(612) 373-5300
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

MICHAEL J. YOUNG
CORPORATE SECRETARY
NRG ENERGY, INC.
1221 NICOLLET MALL, SUITE 700
MINNEAPOLIS, MINNESOTA 55403
(612) 373-5300
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:
STACY J. KANTER, ESQ.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
919 THIRD AVENUE
NEW YORK, NEW YORK 10022
(212) 735-3000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed basis or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER NOTE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
7 1/2% Senior Notes due 2007	$250,000,000	100%	$250,000,000	$75,758

(1) Estimated in accordance with Rule 457 (c) of the Securities Act, solely for the purpose of calculating the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED AUGUST 12, 1997

PROSPECTUS

OFFER FOR ALL OUTSTANDING
7 1/2% SENIOR NOTES DUE 2007
IN EXCHANGE FOR
7 1/2% SENIOR NOTES DUE 2007
WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933
OF

[NRG LOGO]

NRG ENERGY, INC.

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON , , 1997,
UNLESS EXTENDED

NRG Energy, Inc., a Delaware corporation ("NRG"), hereby offers, upon the terms and subject to the conditions set forth in this Prospectus (as the same may be amended or supplemented from time to time, the "Prospectus") and the accompanying Letter of Transmittal (which together constitute the "Exchange Offer"), to exchange an aggregate principal amount of up to $250,000,000 of 7 1/2% Senior Notes due 2007 which have been registered under the Securities Act of 1933 (the "New Notes") of NRG for a like principal amount of the issued and outstanding 7 1/2% Senior Notes due 2007 (the "Old Notes" and, with the New Notes, the "Notes") of NRG from the holders (the "Holders")

thereof. The terms of the New Notes are identical in all material respects to the terms of the Old Notes, except for certain transfer restrictions and registration rights relating to the Old Notes.

The Notes are redeemable at any time, at the option of NRG at a redemption price equal to the principal amount thereof plus accrued interest plus a Make-Whole Premium (as defined herein). See "Description of Notes -- Optional Redemption." Upon a Change of Control (as defined herein), NRG may be required to purchase the Notes at a redemption price equal to 101% of the principal amount thereof plus accrued interest. See "Description of Notes -- Change of Control." The Notes are senior unsecured obligations of NRG, which conducts substantially all of its business through numerous project subsidiaries and project affiliates. As a result, all existing and future liabilities of the direct and indirect subsidiaries and affiliates of NRG will be effectively senior to the Notes. See "Risk Factors -- Holding Company Structure." The Indenture under which the Notes will be issued does not restrict the incurrence of additional indebtedness by NRG or its subsidiaries and affiliates.

For each Old Note accepted for exchange, the Holder of such Old Note will receive a New Note having a principal amount equal to that of the surrendered Old Note. The New Notes will bear interest from the most recent date to which interest has been paid on the Old Notes or, if no interest has been paid on the Old Notes, from June 17, 1997. Accordingly, registered Holders of New Notes on the relevant record date for the first interest payment date following the consummation of the Exchange Offer will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid, from June 17, 1997. Old Notes accepted for exchange will cease to accrue interest from and after the date of consummation of the Exchange Offer. Holders of Old Notes whose Old Notes are accepted for exchange will not receive any payment in respect of accrued interest on such Old Notes.

The New Notes are being offered hereunder in order to satisfy certain obligations of NRG contained in the Registration Rights Agreement, dated as of June 12, 1997 (the "Registration Rights Agreement"), among NRG and the other signatories thereto. Based on interpretations by the staff of the Securities and Exchange Commission (the "Commission") issued to third parties, New Notes issued pursuant to the Exchange Offer in exchange for the Old Notes may be offered for resale, resold and otherwise transferred by Holders thereof (other than any such Holder which is an "affiliate" of NRG within the meaning of Rule 405 under the Securities Act of 1933, as amended (the "Securities Act")), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such Holders' business and such Holders have no arrangement with any person to participate in the distribution of such New Notes. Each Holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of New Notes. If any Holder is an affiliate of NRG or is engaged in or intends to engage in or has any arrangement with any person to participate in the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such Holder (i) could not rely on the applicable interpretations of the staff of the Commission and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. NRG has agreed that, starting on the Expiration Date (as defined herein) and ending on the close of business on the 90th day following the Expiration Date, it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

NRG will not receive any proceeds from this Exchange Offer. NRG has agreed to bear the expenses of this Exchange Offer. Tenders of Old Notes pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date. In the event NRG terminates the Exchange Offer and does not accept for exchange any Old Notes, NRG will promptly return the Old Notes to the Holders thereof. See "The Exchange Offer."

Prior to the Exchange Offer, there has been no public market for the Old Notes or the New Notes. NRG does not intend to list the New Notes on any securities exchange or to seek approval for quotation through any automated quotation system. There can be no assurance that an active market for the New Notes will develop. To the extent that a market for the New Notes does develop, the New Notes could trade at a discount from their principal amount. See "Risk Factors -- Lack of a Public Market for the Notes."

SEE "RISK FACTORS" BEGINNING ON PAGE 15 FOR A DISCUSSION OF CERTAIN RISKS WHICH HOLDERS WHO TENDER THEIR OLD NOTES SHOULD CONSIDER IN CONNECTION WITH THIS EXCHANGE OFFER.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS , 1997

AVAILABLE INFORMATION

NRG has filed with the Commission a Registration Statement on Form S-1 under the Securities Act with respect to the New Notes offered hereby. As permitted by the rules and regulations of the Commission, this Prospectus omits certain information, exhibits and undertakings contained in the Registration Statement. For further information with respect to NRG and the New Notes offered hereby, reference is made to the Registration Statement, including the exhibits thereto and the financial statements, notes and schedules filed as a part thereof. Upon the effectiveness of the Registration Statement, NRG will become subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Registration Statement (and the exhibits and schedules thereto), as well as the periodic reports and other information filed by NRG with the Commission, may be inspected and copied at the Public Reference Section of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the Commission located at 7 World Trade Center, 15th Floor, Suite 1300, New York, New York 10048 and Suite 1400, Northwestern Atrium Center, 500 West Madison Street, Chicago, Illinois 60661-2511. Copies of such materials may be obtained from the Public Reference Section of the Commission, Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and its public reference facilities in New York, New York and Chicago, Illinois at the prescribed rates. Such information may also be accessed electronically by means of the Commission's home page on the Internet (http://www.sec.gov). Any statements contained in this Prospectus as to the contents of any contract or document filed as an exhibit to the Registration Statement are not necessarily complete, and each such statement is qualified in all respects by such reference.

In addition, NRG has agreed to furnish or cause to be furnished to registered holders (and, at the request thereof, owners of beneficial interests in the Notes) annual consolidated financial statements of NRG prepared in accordance with United States generally accepted accounting principles ("GAAP") (together with notes thereto, a report thereon by an independent accountant of established national reputation and a management's discussion and analysis of financial condition and results of operations), such statements to be so furnished within 120 days after the end of the fiscal year covered thereby. In addition, NRG will furnish or cause to be furnished to registered holders (and, at the request thereof owners of beneficial

interests in the Notes) unaudited condensed consolidated balance sheets and statements of income and cash flows of NRG for each of the first three fiscal quarters of each fiscal year and the corresponding quarter of the prior year, such statements to be so furnished within 90 days after the end of the fiscal quarter covered thereby.

SUMMARY

The following summary is qualified in its entirety by and should be read in conjunction with the more detailed information and the consolidated financial statements of NRG, including the notes thereto, appearing elsewhere in this Prospectus. Unless the context otherwise requires, references herein to NRG mean NRG Energy, Inc. and its direct and indirect subsidiaries. The subsidiaries of NRG that are engaged in the acquisition, development and operation of, and ownership of interests in, power generation and thermal energy production and transmission facilities and other facilities described herein are sometimes referred to individually as a "project subsidiary" and collectively as NRG's "project subsidiaries." In circumstances in which NRG owns less than a majority of the interests in the joint venture, partnership or other entity that owns or leases a facility, directly or indirectly, such joint venture, partnership or other entity is referred to individually as a "project affiliate" and collectively as the "project affiliates." References herein to ownership by NRG or one of its project subsidiaries of interests in a project or facility refer to ownership of interests in such project affiliates.

THE COMPANY

NRG is one of the leading participants in the independent power generation industry. Established in 1989 and wholly-owned by Northern States Power Company ("NSP"), NRG is principally engaged in the acquisition, development and operation of, and ownership of interests in, independent power production and cogeneration facilities, thermal energy production and transmission facilities and resource recovery facilities. The power generation facilities in which NRG had interests as of August 1, 1997 (including those under construction) had a total design capacity of 7,010 megawatts ("MW"), of which NRG had or will have operational responsibility for 4,582 MW and net ownership of or leasehold interests in 2,097 MW. In addition, NRG has substantial interests in district heating and cooling systems and steam generation and transmission operations; at December 31, 1996, these thermal businesses had a steam capacity of approximately 3,550 million British thermal units ("mmBtus"). NRG's refuse-derived fuel ("RDF") plants processed more than 808,000 tons of municipal solid waste into approximately 644,000 tons of RDF in 1996.

NRG has experienced significant growth in the last three years, expanding from 33 MW net ownership as of December 31, 1993 to 2,097 MW net ownership as of August 1, 1997. This growth resulted primarily from a number of domestic and international investments and acquisitions, principally the Gladstone Power Station in Australia ("GPS" or "Gladstone"), the Mitteldeutsche Braunkohlengesellschaft mbH ("MIBRAG") and Schkopau ("Schkopau") Projects in Germany, the Minneapolis Energy Center ("MEC") and NRG Generating (U.S.) Inc. ("NRGG"), all as described below. NRG's total operating revenues and equity in earnings of projects increased from $91.1 million and $27.2 million, respectively, in 1994 to $104.5 million and $32.8 million, respectively, in 1996. In evaluating and acquiring its project interests, NRG has a flexible, multi-disciplinary team approach that draws on its facility operations and engineering expertise, fuel procurement and management skills, environmental experience, labor and government relations expertise and legal and financial skills.

As of August 1, 1997, NRG had interests in 26 power generation facilities worldwide (not including those facilities in which NEO Corporation ("NEO") has an interest), including projects under construction. Of these facilities, 11 are located in the United States (531 MW design capacity, with NRG holding 176 MW net ownership), 4 are located in Germany (1,160 MW design capacity,

with NRG holding 267 MW net ownership), 4 are located in Australia (4,039 MW design capacity, with NRG holding 1,244 MW net ownership), two are located in Colombia (299 MW design capacity, with NRG holding 16 MW net ownership), and one is located in each of the Czech Republic (382 MW design capacity, with NRG holding 214 MW net ownership), Jamaica (74 MW design capacity, with NRG holding 7 MW net ownership), Peru (155 MW design capacity, with NRG holding 5.5 MW net ownership) and Honduras (80 MW design capacity, with NRG holding 6 MW net ownership). In 1996, NRG and Vattenfall AB of Sweden ("Vattenfall") acquired 96.6% of the outstanding common shares of Compania Boliviana de Energia Electrica SA -- Boliviana Power Company Limited ("COBEE"), the second largest electric utility

company in Bolivia, which will have a design capacity of 218 MW after a 56 MW expansion in 1998. In addition, through its wholly-owned project subsidiary, NEO, NRG had interests on August 1, 1997 in 28 small hydroelectric and landfill gas-fired power generation facilities located in the United States with total design capacity of 72 MW, of which NRG has net ownership of 35 MW.

In May 1997, NRG consummated the largest acquisition in its history, acquiring a 25.37% interest in the assets of a 2,000 MW brown coal fired thermal power station and adjacent coal mine located in Victoria, Australia and known as Loy Yang A. The State of Victoria sold the Loy Yang A assets as part of its privatization program to a partnership formed by affiliates of NRG and of CMS Generation (a wholly-owned subsidiary of CMS Enterprises), together with Horizon Energy Investment Limited (an investment vehicle of Macquarie Bank), for a total price of approximately AUS$4.7 billion (or US$3.7 billion as of May 12, 1997). While most of the purchase price was raised through project-financed loans and leveraged leases that are non-recourse to the sponsors, NRG's equity investment was approximately US$257 million. NRG funded its investment and related financing costs from a bridge loan arranged by Salomon Loan Fund Inc (the "Bridge Financing"), together with an equity investment by NSP and cash on hand.

In June 1997, NRG closed the financing for the refurbishment and expansion of the Energy Center Kladno plant in Kladno, the Czech Republic ("Kladno"). NRG owns a 34% interest in the existing 28 MW coal-fired project, which also supplies thermal energy. This financing will fund the refurbishment of the existing facility as well as the construction of a new 354 MW expansion project. NRG holds a 57.85% interest in the expansion project, and El Paso Energy International and Stredoceska Energeticka ("STE"), the regional Czech electric distribution company, hold the balance.

In 1996, NRG acquired a 41.86% equity interest in O'Brien Environmental Energy, Inc. ("O'Brien"), which emerged from bankruptcy and was renamed NRG Generating (U.S.) Inc. ("NRGG"). NRG holds 41.86% of the common stock of NRGG, and NRG employees serve as NRG's designees on the board of directors of NRGG. The remaining 58.14% of the common stock of NRGG remained with the then-existing equity holders in O'Brien and is now publicly traded. NRGG is a public company and its shares are listed in the NASDAQ small cap issues under the symbol "NRGG." NRGG has interests in three domestic operating projects with an aggregate capacity of approximately 196 MW. These are: (i) sole ownership of the 52 MW Newark Boxboard Project, a gas-fired cogeneration facility that sells electricity to Jersey Central Power and Light Company ("JCP&L") and steam to Newark Boxboard Company; (ii) sole ownership of the 122 MW E.I. du Pont Parlin Project, a gas-fired cogeneration facility that sells electricity to JCP&L and steam to E.I. du Pont de Nemours and Company; and (iii) an 83% interest in a 22 MW standby/peak sharing facility which provides electricity and standby capabilities for the Philadelphia Municipal Authority. In addition, NRGG has a 33.33% interest in the 150 MW Grays Ferry Project, a gas-fired cogeneration project which is under construction in Philadelphia, Pennsylvania.

In addition to power generation, NRG has interests in four district heating and cooling systems, located in Minneapolis, San Francisco, Pittsburgh and San Diego, that provide steam for heating and chilled water for cooling. NRG acquired the San Diego facility in June 1997. NRG also owns or operates two

steam transmission facilities and two resource recovery/RDF facilities, all located in Minnesota.

At any time, NRG has a number of projects under consideration or in development and is in various stages of negotiations regarding other potential projects in the United States and abroad. NRG is currently developing a number of significant domestic and international projects. These include a 45% interest in the West Java Project, a 400 MW coal-fired project in Indonesia in partnership with Ansaldo Energia and P.T. Kiani Metra; a 27.75% interest in the 390 MW Alto Cachapoal greenfield hydroelectric complex in central Chile in partnership with Nordic Power Invest AB and Construtora Andrade Gutierrez S.A.; and a 50% interest in the Enfield Energy Centre, a 350 MW power project under development in Enfield, England. In addition, NRG and two partners have filed a plan in federal bankruptcy court to acquire the fossil-fueled generating assets of Cajun Electric Power Cooperative of Baton Rouge, Louisiana ("Cajun"). Also, in 1996 NRG purchased, at a substantial discount, the senior secured debt of

Mid-Continent Power Company, Inc. ("MCPC"). On June 18, 1997, MCPC filed a Chapter 11 petition in federal bankruptcy court in Tulsa, Oklahoma and concurrently filed a plan of reorganization proposing to transfer ownership of all of MCPC's assets to NRG in exchange for forgiveness of debt. Because of the many complexities inherent in the development, financing and acquisition of such projects, there can be no assurance that any of these transactions will be consummated.

NRG's headquarters and principal executive offices are located at 1221 Nicollet Mall, Suite 700, Minneapolis, Minnesota 55403. Its telephone number is (612) 373-5300.

STRATEGY

NRG intends to continue to grow through a combination of acquisitions and greenfield development of power generation and thermal energy production and transmission facilities and related assets in the United States and abroad. In the United States, NRG's near-term focus will be primarily on the acquisition of existing power generation capacity and thermal energy production and transmission facilities, particularly in situations in which its expertise can be applied to improve the operating and financial performance of the facilities. NRG is also working with several industrial companies to develop energy projects that would provide both electricity and steam for their production facilities. In addition, to the extent that the replacement of aging power generating capacity or growth in demand creates the need for new power generation facilities in the United States, NRG intends to pursue opportunities to participate in the development of such facilities. NRG is also studying the opportunities that may be created by the current restructuring of the domestic electric utility industry, particularly the divestiture by some utility companies of their generating assets.

In the international market, NRG will continue to pursue development and acquisition opportunities in those countries in which it believes that the legal, political and economic environment is conducive to increased foreign investment. NRG intends to continue to capitalize on opportunities created by the privatization of existing government-owned power generating capacity. In addition, due to the significant existing demand for new power generating capacity in the international market, NRG intends to engage in the development of international "greenfield" projects, which are projects that are developed, permitted, financed and constructed by the developer.

Although NRG exercises flexibility in structuring its investments in projects, NRG's goal is to own a 20% to 50% equity interest in, and to have operating control or influence over, the projects in which it invests. Where appropriate, NRG will include a local or host country partner, in order to enhance its knowledge of the region or country and to leverage its human and financial resources.

As part of NRG's global tax strategy, NRG intends to maintain its earnings from foreign investments offshore, for permanent reinvestment in other foreign projects. For this reason, NRG intends to utilize the cash in its domestic operations to make the payments with respect to the Notes. This cash is expected to include payments of interest and principal to be received from its wholly-owned Dutch subsidiary, NRGenerating International BV ("NRGBV"), with respect to loans from NRG to that company.

THE EXCHANGE OFFER

The Exchange Offer	NRG is offering to exchange up to $250,000,000 aggregate principal amount of 7 1/2% Senior Notes due 2007 (the "New Notes") for a like principal amount of its 7 1/2% Senior Notes due 2007 (the "Old Notes" and, collectively with the New Notes, the "Notes") that are properly tendered and accepted. The terms of the New Notes and the Old Notes are identical in all material respects, except for certain transfer restrictions and registration rights relating to the Old Notes described below under " --Summary Description of the New Notes."
Tenders; Expiration Date; Withdrawal	The Exchange Offer will expire at 5:00 p.m., New York City time, on , 1997, or such later date and time to which it is extended. The tender of Old Notes pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date. Any Old Note not accepted for exchange for any reason will be returned without expense to the tendering Holder thereof as promptly as practicable after the expiration or termination of the Exchange Offer. See "The Exchange Offer -- Terms of the Exchange Offer; Period for Tendering Old Notes," and "Withdrawal of Tenders."
Procedures for Tendering Old Notes	Each Holder of Old Notes wishing to accept the Exchange Offer must complete, sign and date the Letter of Transmittal, or a facsimile thereof, in accordance with the instructions contained herein and therein, and mail or otherwise deliver such Letter of Transmittal, or such facsimile together with either certificates for such Old Notes or a Book-Entry Confirmation (as defined herein) of such Old Notes into the Book-Entry Transfer Facility (as defined herein), if such procedure is available, and any other required documentation to the exchange agent (the "Exchange Agent") at the address set forth herein. By executing the Letter of Transmittal, each Holder will represent to NRG, among other things, that (i) the New Notes acquired pursuant to the Exchange Offer by the Holder and any other person are being obtained in the ordinary course of business of the person receiving such New Notes, (ii) neither the Holder nor such other person is participating in, intends to participate in or has an arrangement or understanding with any

	person to participate in the distribution of such New Notes and (iii) neither the Holder nor such other person is an "affiliate," as defined under Rule 405 of the Securities Act, of NRG. Each broker-dealer that receives New Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker or dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker or dealer will not be deemed to admit that it is an "underwriter" within the meaning

	of the Securities Act. See "The Exchange Offer --Procedures for Tendering Old Notes" and "Plan of Distribution."
Special Procedures for Beneficial Owners	Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact such registered Holder promptly and instruct such registered Holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender on such owner's behalf, such owner must, prior to completing and executing the Letter of Transmittal and delivering its Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such owner's name or obtain a properly completed bond power from the registered Holder. The transfer of registered ownership may take considerable time. See "The Exchange Offer -- Procedures for Tendering Old Notes."
Guaranteed Delivery Procedures.	Holders of Old Notes who wish to tender their Old Notes and whose Old Notes are not immediately available or who can not deliver their Old Notes or any other documents required by the Letter of Transmittal to the Exchange Agent must tender their Old Notes according to the guaranteed delivery procedures set forth in "The Exchange Offer--Guaranteed Delivery Procedures."
Federal Income Tax Consequences	The exchange pursuant to the Exchange Offer should not result in any income, gain or loss to the Holders or NRG for federal income tax purposes. See "Certain Federal Income Tax Considerations."
Use of Proceeds	NRG will not receive any proceeds from this Exchange Offer.
Exchange Agent	Norwest Bank Minnesota, National Association is serving as the exchange agent (the "Exchange Agent") in connection with the Exchange Offer.

CONSEQUENCES OF EXCHANGING OLD NOTES

Holders of Old Notes who do not exchange their Old Notes for New Notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of such Old Notes as set forth in the legend thereon as a consequence of the issuance of the Old Notes pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the Old Notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. NRG does not currently anticipate that it will register Old Notes under the Securities Act. See "Description of Notes -- Registration Rights." Based on interpretations by the staff of the Commission issued to third parties, New Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold or otherwise transferred by Holders thereof (other than any such Holder which is an "affiliate" of NRG within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such Holders' business and such Holders have no arrangement with any person to participate in the distribution of such New Notes. Each Holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of New Notes. If any Holder is an affiliate of NRG or is engaged in or intends to engage in or has any arrangement or understanding with respect to the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such Holder (i) could not rely on the applicable interpretations of the staff of the Commission and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. NRG has agreed that, starting on the Expiration Date and ending on the close of business on the 90th day following the Expiration Date, it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution." However, to comply with the securities laws of certain jurisdictions, if applicable, the New Notes may not be offered or sold unless they have been registered or qualified for sale in such jurisdictions or an exemption from registration or qualification is available and is complied with. NRG does not currently intend to register or qualify the sale of the New Notes in any such jurisdictions. See "The Exchange Offer -- Consequences of Failure to Exchange Old Notes."

SUMMARY DESCRIPTION OF THE NEW NOTES

The terms of the New Notes and the Old Notes are identical in all material respects, except for certain transfer restrictions and registration rights relating to the Old Notes. The New Notes will bear interest from the most recent date to which interest has been paid on the Old Notes or, if no interest has been paid on the Old Notes, from June 17, 1997. Accordingly, registered Holders of New Notes on the relevant record date for the first interest payment date following the consummation of the Exchange Offer will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid, from June 17, 1997. Old Notes accepted for exchange will cease to accrue interest from and after the date of consummation of the Exchange Offer. Holders of Old Notes whose Old Notes are accepted for exchange will not receive any payment in respect of interest on such Old Notes otherwise payable on any interest payment date the record date

for which occurs on or after consummation of the Exchange Offer. In the event of a registration default under the Registration Rights Agreement, NRG will pay special interest ("Special Interest") to each Holder of Transfer Restricted Securities (as defined herein). See "Description of Notes -- Special Interest."

Notes Offered	Up to $250,000,000 principal amount of 7 1/2% Senior Notes due 2007.
Maturity Date	June 15, 2007.
Interest Payment Dates	June 15 and December 15, commencing December 15, 1997.
Ranking	The New Notes will be senior unsecured obligations of NRG and will rank pari passu with all other senior unsecured indebtedness of NRG. See "Description of Notes." All existing and future liabilities of the direct and indirect subsidiaries and affiliates of NRG will be effectively senior to the Notes.
Ratings	The New Notes have been assigned ratings of "BBB-" by Standard & Poor's Ratings Group and "Baa3" by Moody's Investors Service, Inc. See "Ratings."
Optional Redemption	The New Notes may be redeemed at the option of NRG at any time, in whole or in part, on not less than 30 nor more than 60 days notice, at a redemption price equal to the principal amount thereof plus accrued interest plus a Make-Whole Premium. See "Description of Notes -- Optional Redemption."
Sinking Fund	None.
Change of Control	Upon a Change of Control, each holder of New Notes will have the right, subject to certain conditions, to require NRG to repurchase such holder's New Notes, in whole or in part, at 101% of the principal amount thereof, plus accrued interest, if any, to the date of purchase in accordance with the procedures set forth in the Indenture pursuant to which the New Notes will be issued (the "Indenture"). A Change of Control will not be deemed to have occurred if, after giving effect thereto, the Senior Notes are rated BBB-or better by Standard & Poor's Ratings Group and Baa3 or better by Moody's Investors Service, Inc. See "Description of Notes -- Change of Control."

Exchange Offer; Registration Rights	Holders of New Notes (other than as set forth below) are not entitled to any registration rights with respect to the New Notes. Pursuant to the Registration Rights Agreement, NRG agreed, for the benefit of the Holders of Old Notes, to file an Exchange Offer Registration Statement (as defined). The Registration Statement of which this Prospectus is a part constitutes

	the Exchange Offer Registration Statement. Under certain circumstances, certain Holders of Notes (including Holders who may not participate in the Exchange Offer or who may not freely resell New Notes received in the Exchange Offer) may require NRG to file, and cause to become effective, a shelf registration statement under the Securities Act, which would cover resales of Notes by such Holders. See "Description of Notes -- Registration Rights."
Use of Proceeds	NRG will not receive any proceeds from this Exchange Offer. The net proceeds to NRG from the offering of the Old Notes (the "Offering"), after deducting discounts and expenses, were approximately $246.0 million. NRG used such net proceeds to repay outstanding debt under the Bridge Financing and for other general corporate purposes. See "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

RISK FACTORS

Holders of the Old Notes should consider carefully the information set forth under the caption "Risk Factors" and all other information set forth in this Prospectus before making a decision to tender their Old Notes in the Exchange Offer.

SUMMARY CONSOLIDATED FINANCIAL DATA

The summary consolidated financial data presented below as of December 31, 1993, 1994, 1995 and 1996, and for the years then ended, have been derived from NRG's audited consolidated financial statements. The summary consolidated financial data set forth below as of March 31, 1996 and 1997, and for the three-month periods then ended, and as of December 31, 1992 and for the year then ended, have been derived from NRG's unaudited consolidated financial statements. Certain financial information for the years ended December 31, 1993 and 1994 have been reclassified to conform to the financial presentation for the year ended December 31, 1995. Interim results and the results for 1992, in the opinion of management of NRG, include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial information for such periods; however, such interim results are not necessarily indicative of the results that may be expected for any other interim period or for a full year. The following data should be read in conjunction with the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus.

CONSOLIDATED STATEMENTS OF INCOME DATA:

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1992	1993	1994	1995	1996	1996	1997
	(IN THOUSANDS)						
OPERATING REVENUES							
Revenues from wholly-owned operations(1)	$39,647	$48,529	$63,970	$64,180	$ 71,649	$18,662	$21,665
Equity in operating earnings of unconsolidated affiliates(2)(3)	1,321	2,695	27,155	23,639	32,815	5,904	8,492

Total operating revenues	40,968	51,224	91,125	87,819	104,464	24,566	30,157
OPERATING COSTS AND EXPENSES							
Cost of operations--wholly-owned operations	22,870	27,122	34,861	32,535	36,562	9,700	12,222
Depreciation and amortization ..	5,060	6,475	8,675	8,283	8,378	2,083	2,176
General, administrative, and development	14,930	11,448	19,993	34,647	39,248	10,610	8,833
Total operating costs and expenses	42,860	45,045	63,529	75,465	84,188	22,393	23,231
OPERATING INCOME (LOSS)	(1,892)	6,179	27,596	12,354	20,276	2,173	6,926
OTHER INCOME (EXPENSE)							
Equity in gain from project termination settlements	--	--	9,685	29,850	--	--	--
Other income (expense), net	(1,753)	1,028	1,411	4,896	9,477	1,908	2,018
Interest expense	(1,662)	(2,679)	(6,682)	(7,089)	(15,430)	(3,225)	(4,063)
Total other income (expense) ..	(3,415)	(1,651)	4,414	27,657	(5,953)	(1,317)	(2,045)
INCOME (LOSS) BEFORE INCOME TAXES.....	(5,307)	4,528	32,010	40,011	14,323	856	4,881
INCOME (BENEFIT) TAXES(4)	(2,187)	1,905	2,472	8,810	(5,655)	(1,691)	(1,922)
NET INCOME (LOSS)	$(3,120)	$ 2,623	$29,538	$31,201	$ 19,978	$ 2,547	$ 6,803

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(1) All of these revenues are from 100% owned operations. In accordance with its strategy described herein, when NRG does not own 100% of a project, it owns 50% or less in all cases except COBEE and Kladno.

(2) NRG accounts for its investments in projects where ownership is between 20% and 50%, and where there is no effective and legal control, using the equity method of accounting; COBEE and Kladno are also accounted for using the equity method of accounting even though NRG currently owns more than a 50% interest in both projects because NRG intends to sell down below the 50% level. Equity in earnings of unconsolidated project affiliates includes NRG's proportionate share of all net income or losses attributable to project investments accounted for using the equity method.

(3) Includes pretax charges of $5.0 million, $5.0 million and $1.5 million in 1994, 1995 and 1996, respectively, to write-down the carrying value of certain energy projects.

(4) NRG is included in the consolidated federal income tax and state franchise tax returns of NSP. NRG calculates its tax position on a separate company basis under a tax sharing agreement with NSP and receives payment from NSP for tax benefits and pays NSP for tax liabilities.

CONSOLIDATED BALANCE SHEET DATA:

	AS OF DECEMBER 31,					AS OF MARCH 31,	
	1992	1993	1994	1995	1996	1996	1997
	(IN THOUSANDS)						
Net property, plant and equipment	$46,694	$108,934	$107,634	$111,919	$129,649	$111,703	$135,652
Net equity investments in projects	16,400	20,046	164,863	221,129	365,749	207,859	371,132
Long-term debt, including current maturities.....	10,499	93,451(1)	93,339(1)	90,034(1)	212,141(1)	214,465(1)	211,536(1)
Stockholder's equity	40,267	97,722	234,722	319,764	421,914	324,600	443,462

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(1) Includes debt relating to MEC, including current maturities, which is non-recourse to NRG. As of March 31, 1997 this debt was $76.4 million.

OTHER DATA (UNAUDITED):

	AS OF AND FOR THE YEAR ENDED DECEMBER 31,					AS OF AND FOR THE THREE MONTHS ENDED MARCH 31,	
	1992	1993	1994	1995	1996	1996	1997
	(DOLLARS IN THOUSANDS)						
NRG's net power generating capacity(MW)	33	33	992	999	1,326	1,021	1,365(1)
NRG's net thermal energy generating capacity:							
mmBtus per hour	695	1,865	1,961	2,318	2,654	2,654	2,654
MWt equivalent	204	547	575	679	822	822	822
Consolidated EBITDA (2)	$1,415	$13,682	$47,367	$55,383	$38,131	$6,164	$11,120
Consolidated interest expense	$1,662	$ 2,679	$ 6,682	$ 7,089	$15,430	$3,225	$ 4,063
Consolidated interest expense coverage ratio (3)	0.85x	5.11x	7.09x	7.81x	2.47x	1.91x	2.74x
Consolidated debt service (4)	$2,562	$ 4,272	$ 9,169	$10,394	$18,323	$3,794	$ 4,668
Consolidated debt service coverage ratio (5)	0.55x	3.20x	5.17x	5.33x	2.08x	1.62x	2.38x
Consolidated ratio of earnings to fixed charges(6)	(7)	2.32x	2.98x	1.56x(9)	1.75x(10)	4.48x(10)	(8)

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(1) Does not include NRG's net power generating capacity in Loy Yang A and Kladno.

(2) EBITDA equals the sum of income (loss) before income taxes, interest expense (net of capitalized interest) and depreciation and amortization expense. Management believes that some investors consider EBITDA an accepted indicator of a company's ability to service debt. EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for net income, cash flows from operations or other income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of a company's profitability or liquidity. See Statements of Cash Flows in the Consolidated Financial Statements included elsewhere in this Prospectus.

(3) The interest expense coverage ratio equals EBITDA divided by interest expense.

(4) Debt service consists of the previous twelve months of interest expense and principal payments on long-term debt.

(5) The debt service coverage ratio equals EBITDA divided by debt service.

(6) The ratio of earnings to fixed charges is calculated by dividing earnings by fixed charges. For this purpose "earnings" means income (loss) before income taxes less undistributed equity in operating earnings of inconsolidated affiliates less equity in gain from project termination settlements plus cash distributions from project termination settlements plus fixed charges. "Fixed charges" means interest expense plus interest capitalized plus amortization of debt issuance costs plus a reasonable approxmimation of the interest factor of rental expense.

(7) Due primarily to the loss incurred in 1992, NRG was unable to fully cover fixed charges. Earnings did not cover fixed charges by $5,940.

(8) Due primarily to undistributed equity earnings exceeding income

before income taxes, NRG was unable to fully cover fixed charges. Earnings did not cover fixed charges by $1,832.

(9) The 1995 ratio of earnings to fixed charges calculation includes the effect of an equity gain and cash distribution from a project termination settlement. If the project termination had not occurred, NRG would have been unable to fully cover fixed charges and earnings would not have covered fixed charges by $9,913.

(10) The 1996 ratio of earnings to fixed charges calcuation includes the effect of a cash distribution from a 1995 project termination settlement. If the project termination had not occurred, NRG would have been unable to fully cover fixed charges and earnings would not have covered fixed charges by $3,504 for 1996 and by $3,635 for the three months ended March 31, 1996.

SUMMARY PRO FORMA CONDENSED FINANCIAL DATA

The unaudited pro forma condensed financial data set forth below give effect to (i) the acquisition by NRG of a 25.37% equity interest in Loy Yang A and the financing thereof and (ii) the offering of the Old Notes (the "Offering"). The pro forma statement of income data for the year ended December 31, 1996 and the three months ended March 31, 1997 give effect to such transactions as if they had occurred at the beginning of the periods presented. The pro forma balance sheet data as of March 31, 1997 gives effect to such transactions as if they had occurred on March 31, 1997. The pro forma condensed financial data do not purport to be indicative of the combined financial position or results of operations of future periods or indicative of the results that would have occurred had the transactions referred to above been consummated on the dates indicated. The following data should be read in conjunction with, and are qualified in their entirety by, the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus.

FOR THE YEAR ENDED DECEMBER 31, 1996

	HISTORICAL	ADJUSTMENTS	PRO FORMA
		(IN THOUSANDS)	
STATEMENT OF INCOME DATA:			
Revenues from wholly-owned operations	$ 71,649	--	$ 71,649
Equity in earnings of unconsolidated affiliates	32,815	$ 15,300 (1)	48,115
Operating costs and expenses	(84,188)	--	(84,188)
Other income (expense)	9,477	--	9,477
Interest expense	(15,430)	(18,750)(2)	(34,180)
Income taxes	5,655	4,373 (3)	10,028
Net Income	$ 19,978	$ 923	$ 20,901

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(1) Represents estimated equity earnings from Loy Yang A for twelve months based upon historical data adjusted for certain management assumptions.

(2) Represents accrued interest on $250 million principal amount of the Old Notes for twelve months at a rate of 7.5% per annum.

(3) Net tax benefit derived from interest expense on the Old Notes.

AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 1997

	HISTORICAL	ADJUSTMENTS	PRO FORMA
		(IN THOUSANDS)	
STATEMENT OF INCOME DATA:			
Revenues from wholly-owned operations	$ 21,665	--	$ 21,665
Equity in earnings of unconsolidated affiliates	8,492	$ 3,825 (1)	12,317
Operating costs and expenses	(23,231)	--	(23,231)
Other income and (expense)	2,018	--	2,018
Interest expense	(4,063)	(4,688)(2)	(8,751)
Income taxes	1,922	1,093 (3)	3,015
Net Income	$ 6,803	$ 230	$ 7,033
BALANCE SHEET DATA:			
ASSETS			
Current assets	$ 69,197	$ 49,100 (4)	$ 118,297
Property plant and equipment net	135,652	--	135,652
Investments in projects and other assets	491,763	261,800 (5)	753,563
Total assets	$696,612	$310,900	$1,007,512
LIABILITIES AND STOCKHOLDER'S EQUITY			
Long-term and short-term debt	$211,536	$250,000 (6)	$ 461,536
Other liabilities	41,614	--	41,614
Stockholder's equity	443,462	60,900 (7)	504,362
Total liabilities and stockholder's equity	$696,612	$310,900	$1,007,512

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(1) Represents estimated equity earnings for three months from Loy Yang A based upon historical data adjusted for certain management assumptions.

(2) Represents interest expense on $250 million principal amount of the Old Notes for three months at a rate of 7.5% per annum.

(3) Net tax benefit derived from interest expense on the Old Notes.

(4) Represents net cash provided in excess of the amount needed for the investment in Loy Yang A and total financing costs.

(5) Net investment in Loy Yang A of $257 million plus total financing costs associated with the Offering and the Bridge Financing to be amortized over the life of the Old Notes.

(6) Represents the aggregate principal amount of the Old Notes.

(7) Represents equity contribution of $60.9 million by NSP.

RISK FACTORS

Holders of Old Notes should consider carefully the following risk factors as well as the other information contained in this Prospectus in evaluating an investment in the New Notes, although the risk factors set forth below (other than "--Consequences of Failure to Exchange Old Notes") are generally applicable to the Old Notes as well as the New Notes.

CONSEQUENCES OF EXCHANGING OR FAILING TO EXCHANGE OLD NOTES

Holders of Old Notes who do not exchange their Old Notes for New Notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of such Old Notes as set forth in the legend thereon as a consequence of the issuance of the Old Notes pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the Old Notes

may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. NRG does not currently anticipate that it will register Old Notes under the Securities Act. See "Description of Notes--Registration Rights." Based on interpretations by the staff of the Commission issued to third parties, New Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold or otherwise transferred by Holders thereof (other than any such Holder which is an "affiliate" of NRG within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such Holders' business and such Holders have no arrangement with any person to participate in the distribution of such New Notes. Each Holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of New Notes. If any Holder is an affiliate of NRG or is engaged in or intends to engage in or has any arrangement or understanding with respect to the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such Holder (i) could not rely on the applicable interpretations of the staff of the Commission and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. NRG has agreed that, starting on the Expiration Date and ending on the close of business on the 90th day following the Expiration Date, it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution." However, to comply with the securities laws of certain jurisdictions, if applicable, the New Notes may not be offered or sold unless they have been registered or qualified for sale in such jurisdictions or an exemption from registration or qualification is available and is complied with. NRG does not currently intend to register or qualify the sale of the New Notes in any such jurisdiction. See "The Exchange Offer--Consequences of Failure to Exchange Old Notes."

HOLDING COMPANY STRUCTURE

The Notes will be exclusively the obligations of NRG and not of any of its project subsidiaries or project affiliates. Because substantially all of the operations of NRG are conducted by its project subsidiaries and project affiliates, NRG's cash flow and its ability to service its indebtedness, including its ability to pay the interest on and principal of the Notes when due, are dependent upon cash dividends and distributions or other transfers from its project and other subsidiaries and project affiliates to NRG. As of December 31, 1996, NRG's project subsidiaries and project affiliates had total assets of $4.1 billion, total indebtedness of $1.6 billion and an aggregate debt-to-total capitalization ratio of approximately 63%. The debt agreements of NRG's project and other subsidiaries and project affiliates generally

restrict their ability to pay dividends, make distributions or otherwise transfer funds to NRG. The restrictions in such agreements generally require that, prior to and after giving effect to the payment of dividends, distributions or other transfers, (i) such subsidiaries or project affiliates meet certain financial performance or coverage ratios, (ii) no default or event of default shall have occurred, and (iii) the subsidiary or project affiliate proposing to pay the dividend, distribution or other transfer must provide for the payment of other current or prospective obligations, including operating expenses, debt service and reserves. See "Business -- Project Financing." NRG's subsidiaries and project affiliates are separate and distinct legal entities that have no obligation, contingent or otherwise,

to pay any amounts due pursuant to the Notes or to make any funds available therefor, whether by dividends, loans or other payments, and do not guarantee the payment of interest on, or principal of, the Notes. NRG owns a minority interest in most of its international and domestic projects, and therefore is unable unilaterally to cause dividends or distributions to be made to NRG from these operations.

Any right of NRG to receive any assets of any of its subsidiaries or project affiliates upon any liquidation or reorganization of such subsidiaries or project affiliates (and the consequent right of holders of the Senior Notes to participate in the distribution of, or to realize proceeds from, those assets) will be effectively subordinated to the claims of any such subsidiary's or project affiliate's creditors (including trade creditors and holders of debt issued by such subsidiary or project affiliate).

The Indenture imposes no limitations on the ability of subsidiaries or project affiliates to incur additional indebtedness or to permit contractual restrictions on the distribution of cash from NRG's subsidiaries or project affiliates to NRG.

LEVERAGE

As of March 31, 1997, NRG had total indebtedness of $211.5 million at the corporate holding company level which results in a total debt-to-capitalization ratio of 32%; the Indenture imposes no limitations on the ability of NRG to incur additional indebtedness at this level. The substantial amount of debt at the level of the corporate holding company and at the levels of the project subsidiaries and project affiliates presents the risk that NRG might not generate sufficient cash to service its indebtedness, including the Notes, or that its leveraged capital structure could limit its ability to finance the acquisition and development of additional projects, to compete effectively or to operate successfully under adverse economic conditions. See "Capitalization," "Selected Consolidated Financial Data" and "Selected Pro Forma Condensed Financial Data."

NRG has entered into a $175 million revolving credit facility with a syndicate of banks led by ABN AMRO Bank ("ABN AMRO"), which matures on March 17, 2000. It imposes certain requirements on NRG, including requirements as to the maintenance of (i) a minimum level of consolidated tangible net worth and (ii) a minimum ratio of consolidated tangible net worth to consolidated capitalization.

DEPENDENCE ON, AND CONTROL BY, NORTHERN STATES POWER

NSP is NRG's sole stockholder. Since NRG's formation, NSP has provided all NRG's equity funding for its business and operations. NRG's only other source of funding has been its borrowings and internally-generated cash flow from NRG's existing projects and investments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources." There can be no assurance that NSP will contribute additional equity capital to NRG in the future. In the absence of continued equity contributions, there can be no assurance that NRG will have access to sufficient capital to fund its obligations with respect to its existing projects or to undertake new acquisition and development projects.

As NRG's sole stockholder, NSP has the power to control the election of the directors and all other matters submitted for stockholder approval and may be deemed to have control over the management and affairs of NRG. Currently, there are no outside directors on NRG's board of directors. In circumstances involving a conflict of interest between NSP, as the sole stockholder (and, with respect to certain projects, a significant customer of and supplier to NRG, see, "Certain Transactions"), on the one hand, and the holders of the Notes as creditors of NRG on the other, there can be no assurance that NSP

would not exercise its power to control NRG in a manner that would benefit NSP to the detriment of the holders of the Notes. NSP has policies in place,

pursuant to applicable law, to ensure that its ratepayers are protected from affiliate transactions that may be adverse to the ratepayers' interests. The Indenture imposes no limitations on NRG's ability to pay dividends or to make other payments to NSP or on NRG's ability to enter into transactions with NSP or other affiliates of NRG.

In addition, NSP is an important customer of, and supplier to, certain of NRG's businesses in the United States. See "Certain Transactions -- Operating Agreements." NRG purchases steam production services from NSP for its Waldorf and Washco steam transmission lines and sells RDF to NSP from its Newport resource recovery facility. NRG provides management, operation and maintenance services for the Elk River resource recovery facility and disposes of the Elk River facility's RDF ash at NSP's Becker ash landfill. See "Certain Transactions." The failure of NSP to comply with its obligations to NRG under the agreements governing such sales and services could have a material adverse effect on NRG's revenues from these projects.

RISKS OF DOING BUSINESS OUTSIDE THE UNITED STATES

A key component of NRG's business strategy is the development or acquisition of projects outside the United States. See "Business -- Strategy." The economic and political conditions in certain countries where NRG has interests or in which it is or could be exploring development or acquisition opportunities present risks of delays in permitting and licensing, construction delays and interruption of business, as well as risks of war, expropriation, nationalization, renegotiation or nullification of existing contracts and changes in law or tax policy, that are greater than in the United States. The uncertainty of the legal environment in certain foreign countries in which NRG may develop or acquire projects could make it more difficult to obtain non-recourse project financing on suitable terms and could impair NRG's ability to enforce its rights under agreements relating to such projects.

Operations in foreign countries also can present currency exchange, inflation, convertibility and repatriation risks. See "Business -- Strategy." In certain countries in which NRG may develop or acquire projects in the future, economic and monetary conditions and other factors could affect NRG's ability to convert its earnings to United States dollars or other hard currencies or to move funds offshore from such countries. Furthermore, the central bank of any such country may have the authority in certain circumstances to suspend, restrict or otherwise impose conditions on foreign exchange transactions or to approve distributions to foreign investors. Although NRG generally seeks to structure its power purchase agreements and other project revenue agreements to provide for payments to be made in, or indexed to, United States dollars or a currency freely convertible into United States dollars, there can be no assurance that NRG will be able to achieve this structure in all cases or that a power purchaser or other customer will be able to obtain sufficient dollars or other hard currency to pay such obligations.

As part of privatizations or other acquisition opportunities, NRG may make investments in ancillary businesses not directly related to power generation, thermal energy production and transmission or resource recovery and in which NRG management may not have had prior experience. In such cases, NRG's policy is to attract partners with the necessary expertise. However, no assurance can be given that such persons will be available as co-venturers in every case. In addition, as a condition to participating in privatizations and refurbishments of formerly state-owned businesses, NRG may be required to undertake transitional obligations relating to union contracts, employment levels and benefits obligations for employees, which could prevent or delay the achievement of desirable operating efficiencies and financial performance.

ACQUISITION AND DEVELOPMENT UNCERTAINTIES

The development projects and acquisitions in which NRG may invest in the future, including those described herein, may be large and complex, and NRG may not be able to complete the development or acquisition of any such project. Development projects and acquisitions require NRG to expend

significant sums for engineering, permitting, legal, financial advisory and other expenses in preparation for competitive bids that NRG may not win or before it can be determined whether a project is feasible, economically attractive or capable of being financed. There can be no assurance that the projects that

NRG pursues, and on which it may spend significant sums, will prove to be desirable project investments, or that NRG will be able to win any such competitive bids, obtain new power purchase agreements, overcome any local opposition, and obtain the necessary agreements, contracts, licenses, certifications and permits necessary for the successful development of new projects and acquisition of interests in existing projects. Even if NRG is successful in the development or acquisition of an interest in a project, NRG may require substantial additional debt or equity financing for such projects, which additional financing may not be available on acceptable terms, if at all. Most acquisition agreements and power purchase agreements permit the seller or customer, respectively, to terminate the agreement or impose penalties if the acquisition or operation of the project (as the case may be) is not achieved by a specified date. NRG may fail to acquire or develop projects despite having incurred significant expenses.

COMPETITION

The independent power industry is characterized by numerous strong and capable competitors, some of which have more extensive developmental or operating experience, more extensive experience in the acquisition and development of power generation capacity, larger staffs and greater financial resources than NRG. Further, in recent years, the domestic independent power industry has been characterized by strong and increasing competition which has contributed to a reduction in prices offered by utilities for power produced by independent power producers and has resulted in lower returns to project investors. See "Risk Factors -- Effects of Ongoing Changes in the U.S. Utility Industry" and "Business -- Competition."

Many of NRG's competitors also are seeking attractive acquisition opportunities, both in the United States and abroad. This competition may adversely affect NRG's ability to make investments or acquisitions on terms favorable to NRG. Many foreign and domestic utilities are now engaging in "competitive bid" solicitations for new capacity demands or acquisitions.

RISKS INVOLVED IN MAKING MINORITY INVESTMENTS IN PROJECTS

NRG conducts its business primarily through direct and indirect subsidiaries and joint ventures. Most of NRG's current project investments consist of minority interests in project affiliates (i.e., where NRG beneficially owns 50% or less of the ownership interests). A substantial portion of future investments in projects also may take the form of minority interests. See "Business --Strategy." As a result, NRG's ability to control the development, construction, acquisition or operation of such projects may be limited. The Indenture does not contain any limitations on the ability of NRG to make minority investments.

Although NRG seeks to exert a degree of influence with respect to the management and operation of projects in which it is a minority investor by negotiating to receive certain limited governance rights (such as rights to veto significant actions or to obtain positions on management committees), NRG may not always succeed in such negotiations. See "Business -- Operating Arrangements." NRG may be dependent on its co-venturers to construct and operate such projects. There can be no assurance that such co-venturers would have the same level of experience, technical expertise, human resources management and other attributes that NRG possesses. Any such co-venturer may have conflicts of interest, including those relating to its status as a provider of goods or services to the project. The approval of co-venturers also may be required for distributions of funds from projects to NRG.

UNCERTAINTY OF ACCESS TO CAPITAL FOR FUTURE PROJECTS

Any projects that NRG develops in the future and any projects that it may seek to acquire generally will require substantial capital investment. Continued access to debt capital from outside sources on acceptable terms is necessary to assure the success of future projects and acquisitions. NRG's ability to arrange financing on a substantially non-recourse basis and the costs of such capital are dependent on numerous factors, including general economic and capital market conditions, credit availability from banks and other financial institutions, investor confidence in NRG, its partners and in the local independent power market, the success of current projects, the perceived quality of new projects and provisions of tax and securities laws that are conducive to raising capital in this manner. In order to

access capital on a substantially non-recourse basis in the future, NRG may have to make larger equity investments in, or provide more financial support for, its project subsidiaries. To date, NRG's equity capital for its projects has been provided by equity contributions from NSP and, to a lesser extent, internally-generated cash flow from its projects. There can be no assurance that NRG will be successful in structuring the financing for its projects on a substantially non-recourse basis or that NRG will obtain sufficient additional equity capital from NSP, project cash flow or additional borrowings by NRG to enable it to fund the equity commitments required for future projects.

CONSTRUCTION AND START-UP RISKS

As with any major industrial construction effort, the construction, expansion or refurbishment of a power generation, thermal energy production and transmission facility or resource recovery facility involves many risks, including supply interruptions, work stoppages, labor disputes, weather interferences, unforeseen engineering, environmental and geological problems and unanticipated cost overruns. The commencement of operation of such newly-constructed, expanded or refurbished facilities also involves many risks, including the breakdown or failure of equipment or processes and test performance below expected levels of output or efficiency. New plants may employ recently developed and technologically complex equipment, especially in the case of newer environmental emission control technology. While insurance is maintained to protect against certain risks, warranties are obtained from vendors for limited periods and contractors are obligated to meet certain performance levels, the proceeds of such insurance, warranties or performance guarantees may not be adequate to cover lost revenues, increased expenses or liquidated damages payments. As a result, a project may operate at a loss and be unable to fund principal and interest payments under its project financing agreements, which may allow the affected lenders to accelerate such debt.

In addition, many power and thermal energy purchase agreements permit the customer to terminate the agreement, retain security posted by the developer as liquidated damages or change the payments to be made to the project subsidiary or the project affiliate in the event certain milestones, such as commencing commercial operation of the project, are not met by specified dates. In the event such a termination right is exercised, a project may not commence generating revenues, the default provisions in a financing agreement may be triggered (rendering such debt immediately due and payable) and the project may be rendered insolvent as a result.

OPERATING RISKS

The operation of a power generation facility, thermal energy production and transmission facility, resource recovery facility or mining facility involves many risks, including the breakdown or failure of generation equipment or other equipment or processes, labor disputes, fuel interruption and operating performance below expected levels. Operation below expected capacity levels may result in lost revenues or increased expenses, including higher maintenance costs and penalties. As a result, a facility may be unable to perform its obligations under its purchase agreements, triggering the default provisions in a financing agreement (rendering such debt immediately due and

payable) and the project may be rendered insolvent as a result.

Certain power purchase agreements of NRG's project subsidiaries or project affiliates permit the purchaser to terminate the agreement, modify the payments required under the agreement, recover payments previously made under the agreement or require such project subsidiaries or project affiliates to pay liquidated damages under the agreement in certain circumstances. See "Business -- Independent Power Production and Cogeneration." While insurance is maintained to protect against certain risks, warranties are obtained from vendors for limited periods and contractors are obligated to meet certain performance levels, the proceeds of such insurance, warranties or performance guarantees may not be adequate to cover lost revenues, increased expenses or liquidated damages payments. As a result, default provisions in the project subsidiary's or project affiliate's financing agreements may be triggered, which might allow the affected lenders to accelerate such debt.

Payments under power purchase agreements for domestic projects that satisfy the requirements for "qualifying facility" status under the Public Utility Regulatory Policies Act ("PURPA") and that are based

upon actual short-run (as opposed to forecasted long-run) "avoided cost" (or the cost that would otherwise have been paid for power from the purchasing utility's highest-cost generating facility, see "Business"), are subject to significant variations based upon a number of factors outside of the control of the owners of such facilities, including weather, economic conditions, and the particular operating profile and generating capacity position of the purchasing utility. A project affiliate of NRG owns a 50% interest in a joint venture that owns the Sunnyside waste coal-fired power generation facility in Carbon County, Utah. The Sunnyside facility has experienced a shortfall in project cash flow attributable primarily to decreased revenues due to avoided energy rates being significantly lower than originally forecasted. In the absence of a restructuring of the project's debt, a debt service reserve fund, which has been used to make up cash shortfalls, is expected to be depleted within twelve months. There can be no assurance as to the actions the partnership which owns the Sunnyside facility may take at that time. See "Business -- Independent Power Production and Cogeneration -- Sunnyside."

NRG has provided guarantees relating to certain equity and operating obligations of its project subsidiaries. One example is NRG's guarantee of the obligations of its project subsidiary that operates the Gladstone facility for up to AUS$25 million, indexed to the Australian consumer price index ("ACPI") (US$21.5 million, based on exchange rates and ACPI in effect at March 31, 1997), under the project subsidiary's operating and maintenance agreement with the owners of the facility. If NRG were required to satisfy all these guarantees and other obligations, such event would have a material adverse effect on NRG's condition, financial and otherwise. See "Business -- Description of NRG's Projects" and "Business -- Independent Power Production and Cogeneration -- Gladstone Power Station."

DEPENDENCE ON CERTAIN CUSTOMERS AND PROJECTS

A power generation, thermal energy production and transmission or resource recovery facility typically relies on a single supplier each for the provision of fuel, water and other services required for operation of the facility and on a single customer or a few customers to purchase all of the facility's output, in each case under long-term agreements that provide the support for any project debt used to finance such facilities. The failure of any one customer or supplier to fulfill its contractual obligations to the facility could have a material adverse effect on such facility's financial results. As a result, the financial performance of such facilities is dependent on the continued performance by customers and suppliers of their obligations under such long-term agreements and, in particular, on the credit quality of the project's customers. Each of the Waldorf and Newport projects produced more than ten percent of NRG's net revenues for 1996. See "Business -- Principal Customers of Operating Subsidiaries." In addition, on a pro forma basis Loy Yang A would have produced more than ten percent of NRG's net revenues for

1996.

GOVERNMENTAL REGULATION

NRG is subject to a number of complex and stringent environmental and other laws and regulations affecting many aspects of its present and future operations, including the disposal of various forms of waste and the construction or permitting of new facilities. See "Regulation." Such laws and regulations generally require NRG to obtain and comply with a wide variety of licenses, permits and other approvals, and may in some cases be enforced by both public officials and private individuals. There can be no assurance that existing laws or regulations will not be revised or that new laws or regulations will not be adopted or become applicable to NRG which could have an adverse impact on its operations. There can be no assurance that NRG will be able to recover all or any increased costs of compliance from its customers or that its business and financial condition will not be materially and adversely affected by future changes in environmental laws or regulations. In addition, regulatory compliance for the construction of new facilities is a costly and time-consuming process, and intricate and rapidly changing environmental regulations may require major expenditures for permitting and create the risk of expensive delays or material impairment of project value if projects cannot function as planned due to changing regulatory requirements or local opposition.

PURPA and the Public Utility Holding Company Act of 1935, as amended ("PUHCA"), are two of the laws (including the regulations thereunder) that affect NRG's operations. PURPA provides to qualifying

facilities ("QFs") certain exemptions from federal and state laws and regulations, including organizational, rate and financial regulation. PUHCA regulates public utility holding companies and their subsidiaries. NRG is not and will not be subject to regulation as a holding company under PUHCA as long as the domestic power plants it owns are QFs under PURPA or are exempted as exempt wholesale generators ("EWGs"), and so long as its foreign utility operations are exempted as EWGs or foreign utility companies or are otherwise exempted under PUHCA. QF status is conditioned on meeting certain criteria, and could be jeopardized, for example, by the loss of a steam customer or reduction of steam purchases below the amount required by PURPA. See "Regulation."

CHANGES IN STATE MUNICIPAL SOLID WASTE ("MSW") FLOW CONTROL LAWS

RDF projects, such as NRG's Newport facility and NSP's Elk River facility, which is operated by NRG, historically were assured an adequate supply of MSW through state and local flow control legislation, which directed that MSW be disposed of in certain facilities. In May 1994, the United States Supreme Court held that MSW is a commodity in interstate commerce and, accordingly, that flow control legislation that prohibited shipment of MSW out of state is unconstitutional. Since this Supreme Court holding, the RDF facilities owned or operated by NRG have faced increased competition from landfills in surrounding states. As a result of such competition, MSW processed at the Newport facility decreased approximately 5% in 1995, from approximately 378,000 tons in 1994 to 360,000 tons in 1995. In 1996, however, due to assistance from NRG and a reduction of tipping fees under contracts entered into between haulers and the Ramsey and Washington Counties, waste deliveries reversed their downward trend. However, in the absence of valid flow control legislation, there can be no assurance that this improved trend will continue. See "Business -- Resource Recover Facilities."

EFFECTS OF ONGOING CHANGES IN THE U.S. UTILITY INDUSTRY

The U.S. electric utility industry currently is experiencing increasing competitive pressures, primarily in wholesale markets, as a result of consumer demands, technological advances, greater availability of natural gas and other factors. The Federal Energy Regulatory Commission ("FERC") has proposed regulatory changes to increase access to the nationwide transmission grid by

utility and non-utility purchasers and sellers of electricity. A number of states are considering or implementing methods to introduce and promote retail competition. Proposals have been introduced in Congress to repeal PURPA and PUHCA, and the FERC has publicly indicated support for the PUHCA repeal effort. Additionally, some utilities have brought litigation aimed at forcing the renegotiation or termination of contracts requiring payments to owners of qualifying facilities based upon past estimates of avoided cost that are now substantially in excess of market prices. There can be no assurance that, in the future, utilities, with the approval of state public utility commissions, will not seek to abrogate their existing power purchase agreements. See "Regulation."

If the repeal of PURPA or PUHCA occurs, either separately or as part of legislation designed to encourage the broader introduction of wholesale and retail competition, the significant competitive advantages that independent power producers currently enjoy over certain regulated utility companies would be eliminated or sharply curtailed, and the ability of regulated utility companies to compete more directly with independent power companies would be increased. To the extent competitive pressures increase and the pricing and sale of electricity assumes more characteristics of a commodity business, the economics of domestic independent power generation projects may come under increasing pressure, and the availability of long-term power purchase agreements, which can serve as the basis for project financings, may decrease. Deregulation may not only continue to fuel the current trend toward consolidation among domestic utilities but may also encourage the disaggregation of vertically-integrated utilities into separate generation, transmission and distribution businesses. As a result, additional significant competitors could become active in the independent power industry. In addition, independent power producers may find it increasingly difficult to negotiate long-term power sales agreements with solvent utilities, which may affect the profitability and financial stability of independent power projects.

LACK OF PUBLIC MARKET FOR THE NOTES

The New Notes are being offered to the Holders of the Old Notes. The Old Notes were issued in June 1997 to a small number of institutional investors and are eligible for trading in the Private Offering, Resale, and Trading through Automated Linkages (PORTAL) Market, the National Association of Securities Dealers' screenbased, automated market for trading of securities eligible for resale under Rule 144A. The New Notes are new securities for which there currently is no market. Although the Initial Purchasers (as defined herein) have informed NRG that they currently intend to make a market in the New Notes, they are not obligated to do so and any such market making may be discontinued at any time without notice. NRG does not intend to list the New Notes or the Old Notes on any securities exchange or to seek approval for quotation through any automated quotation system. There can be no assurance as to the development or liquidity of any market for the New Notes or the Old Notes.

FORWARD-LOOKING STATEMENTS

Certain statements under the captions "Offering Memorandum Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and elsewhere in this Offering Memorandum constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of NRG to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions; industry capacity; demographic changes; competition; changes in technology; changes in political, social and economic conditions; changes in local laws and regulations; changes in electricity usage patterns and practices; changes in fuel pricing, including coal, oil and oil products and natural gas; and

various other factors beyond NRG's control.

USE OF PROCEEDS

NRG will not receive any proceeds from the issuance of the New Notes offered pursuant to the Exchange Offer. In consideration for issuing the New Notes as contemplated in this Prospectus, NRG will receive in exchange Old Notes in like principal amount, the terms of which are identical in all material respects to the New Notes except for certain transfer restrictions and registration rights. The Old Notes surrendered in exchange for New Notes will be retired and cancelled and cannot be reissued. Accordingly, issuance of the New Notes will not result in any increase in the indebtedness of NRG.

The net proceeds to NRG from the offering of the Old Notes, after deducting discounts and expenses, were approximately $246.0 million. NRG used those net proceeds to repay outstanding debt under the Bridge Financing and for other general corporate purposes. The Bridge Financing was used for the acquisition of NRG's interest in the Loy Yang Project. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and "Certain Indebtedness."

THE EXCHANGE OFFER

TERMS OF THE EXCHANGE OFFER; PERIOD FOR TENDERING OLD NOTES

The Old Notes were sold by NRG on June 17, 1997 (the "Closing Date") to Salomon Brothers Inc, ABN AMRO Chicago Corporation and Chase Securities Inc. (the "Initial Purchasers") pursuant to a Purchase Agreement, dated June 12, 1997, entered into by and among NRG and the Initial Purchasers (the "Purchase Agreement"). Upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal (which together constitute the Exchange Offer), NRG will accept for exchange Old Notes which are properly tendered on or prior to the Expiration Date and not withdrawn as permitted below. As used herein, the term "Expiration Date" means 5:00 p.m., New York City time on , 1997; provided, however, that if NRG, in its sole discretion, has extended the period of time for which the Exchange Offer is open, the term "Expiration Date" means the latest time and date to which the Exchange Offer is extended.

As of the date of this Prospectus, $250,000,000 aggregate principal amount of the Old Notes is outstanding. This Prospectus, together with the Letter of Transmittal, is first being sent on or about , 1997, to all Holders of Old Notes known to NRG. NRG's obligation to accept Old Notes for exchange pursuant to the Exchange Offer is subject to certain conditions as set forth under "--Conditions to the Exchange Offer" below.

NRG expressly reserves the right, at any time or from time to time, to extend the period of time during which the Exchange Offer is open, and thereby delay acceptance for exchange of any Old Notes, by giving oral or written notice of such extension to the Holders thereof as described below. During any such extension, all Old Notes previously tendered will remain subject to the Exchange Offer and may be accepted for exchange by NRG. Any Old Notes not accepted for exchange for any reason will be returned without expense to the tendering Holder thereof as promptly as practicable after the expiration or termination of the Exchange Offer.

Old Notes tendered in the Exchange Offer must be in denominations of principal amount of $1,000 or any integral multiple thereof.

NRG expressly reserves the right to amend or terminate the Exchange Offer, and not to accept for exchange any Old Notes not theretofore accepted for exchange, upon the occurrence of any of the conditions of the Exchange Offer specified below under "--Conditions to the Exchange Offer." NRG will give oral or written notice of any extension, amendment, non-acceptance or termination

to the Holders of the Old Notes as promptly as practicable, such notice in the case of any extension to be issued by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

PROCEDURES FOR TENDERING

The tender to NRG of Old Notes by a Holder thereof as set forth below and the acceptance thereof by NRG will constitute a binding agreement between the tendering Holder and NRG upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal. Except as set forth below, a Holder who wishes to tender Old Notes for exchange pursuant to the Exchange Offer must transmit a properly completed and duly executed Letter of Transmittal, including all other documents required by such Letter of Transmittal, to Norwest Bank Minnesota, National Association (the "Exchange Agent") at one of the addresses set forth below under "--Exchange Agent" for receipt on or prior to the Expiration Date. In addition, either (i) certificates for such Old Notes must be received by the Exchange Agent along with the Letter of Transmittal or (ii) a timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Old Notes, if such procedure is available, into the Exchange Agent's account at The Depositary Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedure for book-entry transfer described below, must be received by the Exchange Agent prior to the Expiration Date or (iii) the Holder must comply with the guaranteed delivery procedures described below.

THE METHOD OF DELIVERY OF OLD NOTES AND THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE HOLDERS. IF SUCH DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, BE USED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY. NO LETTER OF TRANSMITTAL OR OLD NOTES SHOULD BE SENT TO NRG.

Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered Holder promptly and instruct such registered Holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender on such owner's own behalf, such owner must, prior to completing and executing the Letter of Transmittal and delivering such owner's Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such owner's name or obtain a properly completed bond power from the registered Holder. The transfer of registered ownership may take considerable time.

Signatures on a Letter of Transmittal or a notice of withdrawal described below (see "--Withdrawal of Tenders"), as the case may be, must be guaranteed as described below (see "--Guaranteed Delivery Procedures") unless the Old Notes tendered pursuant thereto are tendered (i) by a registered Holder who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution (as defined below). In the event that signatures of a Letter of Transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, such guarantee must be made by a financial institution (including most banks, savings and loan associations and brokerage houses) that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchange Medallion Program (collectively, "Eligible Institutions"). If Old Notes are registered in the name of a person other than a signer of the Letter of Transmittal, the Old Notes surrendered for exchange must be endorsed by, or be accompanied by a written instrument or instruments of transfer or exchange, in satisfactory form as determined by NRG, duly executed by the registered Holder with the signature thereon guaranteed by an Eligible Institution.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of tendered Old Notes will be determined by NRG in its sole discretion, which determination will be final and binding. NRG reserves

the absolute right to reject any and all tenders of any particular Old Notes not properly tendered or to not accept any particular Old Note if acceptance would, in the judgment of NRG or its counsel, be unlawful. NRG also reserves the absolute right to waive any defects, irregularities or conditions of the Exchange Offer as to any particular Old Notes either before or after the Expiration Date (including the right to waive the ineligibility of any Holder who seeks to tender Old Notes in the Exchange Offer). The interpretation of the terms and conditions of the Exchange Offer as to any particular Old Notes either before or after the Expiration Date (including the Letter of Transmittal and the instructions thereto) by NRG will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Notes for exchange must be cured within such reasonable period of time as NRG may determine. None of NRG, the Exchange Agent or any other person will be under any duty to give notification of any defect or irregularity with respect to any tender of Old Notes for exchange, nor will any of them incur any liability for failure to give such notification.

If the Letter of Transmittal is signed by a person or persons other than the registered Holder or Holders of Old Notes, such Old Notes must be endorsed or accompanied by appropriate powers of attorney, in either case signed exactly as the name or names of the registered Holder or Holders that appear on the Old Notes.

If the Letter of Transmittal or any Old Note or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by NRG, proper evidence satisfactory to NRG of their authority to so act must be submitted with the Letter of Transmittal.

By tendering, each Holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of New Notes. If any Holder is an affiliate of NRG, is engaged in or intends to engage in or has any arrangement with any person to participate in the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such Holder (i) could not rely on the applicable interpretations of the staff of the Commission and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives New Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. See "Plan of Distribution." The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

ACCEPTANCE OF OLD NOTES FOR EXCHANGE; DELIVERY OF NEW NOTES

Upon satisfaction or waiver of all of the conditions to the Exchange Offer, NRG will accept, promptly after the Expiration Date, all Old Notes properly tendered and will issue the New Notes promptly after acceptance of the Old Notes. See "--Conditions to the Exchange Offer" below. For purposes of the Exchange Offer, NRG will be deemed to have accepted properly tendered Old Notes for exchange, when, as and if NRG has given oral or written notice thereof to the Exchange Agent.

For each Old Note accepted for exchange, the Holder of such Old Note will receive a new Note having a principal amount equal to that of the surrendered Old Note. Accordingly, registered Holders of New Notes on the relevant record date for the first interest payment date following the consummation of the Exchange Offer will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid, from June 17, 1997. Old Notes accepted for exchange will cease to accrue interest from and after the date of consummation of the Exchange Offer. Holders of Old Notes whose Old Notes are accepted for exchange will not receive any payment in

respect of accrued interest on such Old Notes otherwise payable on any interest payment date the record date for which occurs on or after consummation of the Exchange Offer. In the event of a Registration Default under and as defined in the Registration Rights Agreement, NRG will pay Special Interest to each Holder of Transfer Restricted Securities (as defined herein). See "Description of Notes -- Special Interest."

In all cases, issuance of New Notes for Old Notes that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of certificates for such Old Notes or a timely Book-Entry Confirmation of such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal and all other required documents. If any tendered Old Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Old Notes are submitted for a greater principal amount than the Holder desires to exchange, such unaccepted or non-exchanged Old Notes will be returned without expense to the tendering Holder thereof (or, in the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry procedures described below, such non-exchanged Old Notes will be credited to an account maintained with such Book-Entry Transfer Facility) as promptly as practicable after the expiration or termination of the Exchange Offer.

BOOK-ENTRY TRANSFER

The Exchange Agent will make a request to establish an account with respect to the Old Notes at the Book-Entry Transfer Facility for purposes of the Exchange Offer within two business days after the date of this Prospectus, and any financial institution that is a participant in the Book-Entry Transfer Facility's systems may make book-entry delivery of Old Notes by causing the Book-Entry Transfer Facility to transfer such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures for transfer. However, although delivery of Old Notes may be effected through book-entry transfer at the Book-Entry Transfer Facility, the Letter of Transmittal or facsimile thereof, with any required signature guarantees and any other required

documents, must, in any case, be transmitted to and received by the Exchange Agent at one of the addresses set forth below under "--Exchange Agent" on or prior to the Expiration Date or pursuant to the guaranteed delivery procedures described below.

GUARANTEED DELIVERY PROCEDURES

If a registered Holder of the Old Notes desires to tender such Old Notes and the Old Notes are not immediately available, or time will not permit such Holder's Old Notes or other required documents to reach the Exchange Agent before the Expiration Date, or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected if (i) the tender is made through an Eligible Institution, (ii) prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by NRG (by telegram, telex, facsimile transmission, mail or hand delivery), setting forth the name and address of the Holder of Old Notes and the principal amount of Old Notes tendered, stating that the tender is being made thereby and guaranteeing that, within three New York Stock Exchange, Inc. ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and all other documents required by the Letter of Transmittal, are received by the Exchange Agent within three NYSE trading days

after the date of execution of the Notice of Guaranteed Delivery.

WITHDRAWAL OF TENDERS

Tenders of Old Notes may be withdrawn at any time prior to the Expiration Date.

For a withdrawal to be effective, a written notice of withdrawal must be received by the Exchange Agent at one of its addresses set forth below under "--Exchange Agent" prior to the Expiration Date. Any such notice of withdrawal must (i) specify the name of the person having deposited the Old Notes to be withdrawn (the "Depositor"), (ii) identify the Old Notes to be withdrawn (including the principal amount of such Old Notes), and (iii) (where certificates for Old Notes have been transmitted) specify the name in which such Old Notes are registered, if different from that of the withdrawing Holder. If certificates for Old Notes have been delivered or otherwise identified to the Exchange Agent, then, prior to the release of such certificates the withdrawing Holder must also submit the serial numbers of the particular certificates to be withdrawn and a signed notice of withdrawal with signatures guaranteed by an Eligible Institution unless such Holder is an Eligible Institution. If Old Notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Old Notes and otherwise comply with the procedures of such facility. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by NRG, whose determination shall be final and binding on all parties. Any Old Note so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Old Note which has been tendered for exchange but which is not exchanged for any reason will be returned to the Holder thereof without cost to such Holder (or, in the case of Old Notes tendered by book-entry transfer procedures described above, such Old Notes will be credited to an account maintained with such Book-Entry Transfer Facility for the Old Notes) as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Old Notes may be retendered by following one of the procedures described under "--Procedures for Tendering Old Notes" above at any time on or prior to the Expiration Date.

CONDITIONS TO THE EXCHANGE OFFER

Notwithstanding any other provision of the Exchange Offer, NRG will not be required to accept for exchange, or issue New Notes in exchange for, any Old Notes and may terminate or amend the Exchange Offer if at any time before the acceptance of such Old Notes for exchange or the exchange of the New Notes for such Old Notes, any of the following events occur:

(a) there shall be threatened, instituted or pending any action or proceeding before, or any injunction, order or decree shall have been issued by, any court or governmental agency or other governmental regulatory or administrative agency or commission, (i) seeking to restrain or prohibit the making or consummation of the Exchange Offer or any other transaction contemplated by the Exchange Offer, or assessing or seeking any damages as a result thereof, or (ii) resulting in a material delay in the ability of NRG to accept for exchange or exchange some or all of the Old Notes pursuant to the Exchange Offer, or any statute, rule, regulation, order or injunction shall be sought, proposed, introduced, enacted, promulgated or deemed applicable to the Exchange Offer or any of the transactions contemplated by the Exchange Offer by any government or governmental authority, domestic or foreign, or any action shall have been taken, proposed or threatened, by any government or governmental authority, agency or court, domestic or foreign, that in the reasonable judgment of NRG might directly or indirectly result in any of the consequences referred to in clauses (i) or (ii) above or, in the reasonable judgment of NRG, might result in the Holders of New Notes having obligations with respect to resales and transfers of New Notes

which are greater than those described in the interpretation of the Commission referred to on the cover page of this Prospectus, or would otherwise make it inadvisable to proceed with the Exchange Offer; or

(b) there shall have occurred (i) any general suspension of or general limitation on prices for, or trading in, securities on any national securities exchange or in the over-the-counter market, (ii) any limitation by any governmental agency or authority which may adversely affect the ability of NRG to complete the transactions contemplated by the Exchange Offer, (iii) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or any limitation by any governmental agency or authority which adversely affects the extension of credit or (iv) a commencement of a war, armed hostilities or other similar international calamity directly or indirectly involving the United States, or, in the case of any of the foregoing existing at the time of the commencement of the Exchange Offer, a material acceleration or worsening thereof; or

(c) any change (or any development involving a prospective change) shall have occurred or be threatened in the business, properties, assets, liabilities, financial condition, operations, results of operations or prospects of NRG and its subsidiaries taken as a whole that, in the reasonable judgment of NRG, is or may be adverse to NRG, or NRG shall have become aware of facts that, in the reasonable judgment of NRG, have or may have adverse significance with respect to the value of the Old Notes or the New Notes;

which, in the reasonable judgment of NRG in any case, and regardless of the circumstances (including any action by NRG) giving rise to any such condition, makes it inadvisable to proceed with the Exchange Offer and/or with such acceptance for exchange or with such exchange.

The foregoing conditions are for the sole benefit of NRG and may be asserted by NRG regardless of the circumstances giving rise to any such condition or may be waived by NRG in whole or in part at any time and from time to time in its sole discretion. The failure by NRG at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

In addition, NRG will not accept for exchange any Old Note tendered, and no New Notes will be issued in exchange for any such Old Note, if at such time any stop order shall be threatened or in effect with respect to the Registration Statement of which this Prospectus constitutes a part or the qualification of the Indenture under the Trust Indenture Act of 1939.

EXCHANGE AGENT

Norwest Bank Minnesota, National Association has been appointed as the Exchange Agent of the Exchange Offer. All executed Letters of Transmittal should be directed to the Exchange Agent at one of the addresses set forth below. Questions and requests for assistance, requests for additional copies of this Prospectus or of the Letter of Transmittal and requests for Notice of Guaranteed Delivery should be directed to the Exchange Agent addressed as follows:

By Registered or Certified Mail:
Norwest Bank Minnesota, National Association
P.O. Box 1517
Minneapolis, Minnesota 55480-1517
Attention: Corporate Trust Operations

By Hand Delivery:
Norwest Bank Minnesota National Association
Northstar East 12th Floor
608 2nd Avenue
Minneapolis, Minnesota 55479-0113
Attention: Corporate Trust Operations

By Overnight Delivery:	
Norwest Bank Minnesota National Association	By Facsimile
Norwest Center	(612) 667-4927
6th and Marquette Avenue	Confirm by Telephone:
Minneapolis, Minnesota 55479-0069	(612) 667-9764
Attention: Corporate Trust Operations	

DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY.

FEES AND EXPENSES

NRG will not make any payment to brokers, dealers or others soliciting acceptances of the Exchange Offer.

The estimated cash expenses to be incurred in connection with the Exchange Offer will be paid by NRG and are estimated in the aggregate to be $400,000.

TRANSFER TAXES

Holders who tender their Old Notes for exchange will not be obligated to pay any transfer tax in connection therewith, except that Holders who instruct NRG to register New Notes in the name of, or request that Old Notes not tendered or not accepted in the Exchange Offer be returned to, a person other than the registered tendering Holder will be responsible for the payment of any applicable transfer tax thereon.

CONSEQUENCES OF FAILURE TO EXCHANGE OLD NOTES

Holders of Old Notes who do not exchange their Old Notes for New Notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of such Old Notes as set forth in the legend thereon as a consequence of the issuance of the Old Notes pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the Old Notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. NRG does not currently anticipate that it will register Old Notes under the Securities Act. See "Description of Notes--Registration Rights." Based on interpretations by the staff of the Commission issued to third parties, New Notes

issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold or otherwise transferred by Holders thereof (other than any Holder which is an "affiliate" of NRG within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such Holders' business and such Holders have no arrangement with any person to participate in the distribution of such New Notes. Each Holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of New Notes. If any Holder is an affiliate of NRG, is engaged in or intends to engage in or has any arrangement or understanding with respect to the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such Holder (i) could not rely on the applicable interpretations of the staff of the Commission and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives New Notes for its own account in exchange for Old Notes must acknowledge that such Old Notes were acquired by such broker-dealer as a result of

market-making activities or other trading activities and that it will deliver a prospectus in connection with any resale of such New Notes. See "Plan of Distribution." In addition, to comply with the securities laws of certain jurisdictions, if applicable, the New Notes may not be offered or sold unless they have been registered or qualified for sale in such jurisdiction or an exemption from registration or qualification is available and is complied with. NRG does not currently intend to register or qualify the sale of the New Notes in any such jurisdictions.

CAPITALIZATION

The following table sets forth the unaudited consolidated capitalization of NRG as of March 31, 1997 and as adjusted to give effect to the equity contribution of $60.9 million from NSP in connection with the acquisition of Loy Yang A and the Offering. See "Use of Proceeds."

	MARCH 31, 1997	
	ACTUAL	AS ADJUSTED
	(DOLLARS IN THOUSANDS) (UNAUDITED)	
Long-term debt:		
Existing funded debt(1)	$211,536	$211,536
Notes		250,000
Total long-term debt	211,536	461,536
Stockholder's equity:		
Common stock; $1 par value; 1,000 shares authorized; 1,000 shares issued and outstanding	1	1
Additional paid-in capital	371,013	431,913(2)
Retained earnings	73,104	73,104
Currency translation adjustments	(656)	(656)
Total stockholder's equity	443,462	504,362
Total capitalization	$654,998	$965,898

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(1) Includes $4.9 million of current portion of long-term debt and $76.4 million of debt relating to MEC, including current maturities, which is non-recourse to NRG.

(2) Reflects the $60.9 million contribution by NSP in connection with the acquisition of Loy Yang A.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data set forth below as of December 31, 1993, 1994, 1995 and 1996 and for the years then ended, have been derived from the audited consolidated financial statements of NRG. Certain financial information for the years ended December 31, 1993 and 1994 have been reclassified to conform to the financial presentation for the year ended December 31, 1995. The selected consolidated financial data set forth below as of March 31, 1996 and 1997, and for the three-month periods then ended, and as of December 31, 1992 and for the year then ended, have been derived from the unaudited consolidated financial statements of NRG. Interim results and the

results for 1992, in the opinion of management of NRG, include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial information for such periods; however, such interim results are not necessarily indicative of the results that may be expected for any other interim period or for a full year. The following data should be read in conjunction with the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus.

CONSOLIDATED STATEMENTS OF INCOME DATA:

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1992	1993	1994	1995	1996	1996	1997
	(IN THOUSANDS)						
OPERATING REVENUES							
Revenues from wholly-owned operations(1) .	$39,647	$48,529	$63,970	$64,180	$ 71,649	$18,662	$21,665
Equity in operating earnings of unconsolidated affiliates(2)(3).....	1,321	2,695	27,155	23,639	32,815	5,904	8,492
Total operating revenues	40,968	51,224	91,125	87,819	104,464	24,566	30,157
OPERATING COSTS AND EXPENSES							
Cost of operations--wholly-owned operations	22,870	27,122	34,861	32,535	36,562	9,700	12,222
Depreciation and amortization	5,060	6,475	8,675	8,283	8,378	2,083	2,176
General, administrative, and development	14,930	11,448	19,993	34,647	39,248	10,610	8,833
Total operating costs and expenses	42,860	45,045	63,529	75,465	84,188	22,393	23,231
OPERATING INCOME (LOSS)	(1,892)	6,179	27,596	12,354	20,276	2,173	6,926
OTHER INCOME (EXPENSE)							
Equity in gain from project termination settlements	--	--	9,685	29,850	--	--	--
Other income (expense), net	(1,753)	1,028	1,411	4,896	9,477	1,908	2,018
Interest expense	(1,662)	(2,679)	(6,682)	(7,089)	(15,430)	(3,225)	(4,063)
Total other income (expense)	(3,415)	(1,651)	4,414	27,657	(5,953)	(1,317)	(2,045)
INCOME (LOSS) BEFORE INCOME TAXES	(5,307)	4,528	32,010	40,011	14,323	856	4,881
INCOME (BENEFIT) TAXES(4)	(2,187)	1,905	2,472	8,810	(5,655)	(1,691)	(1,922)
NET INCOME (LOSS).....	$(3,120)	$ 2,623	$29,538	$31,201	$ 19,978	$ 2,547	$ 6,803

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(1) All of these revenues are from 100% owned operations. In accordance with its strategy described herein, when NRG does not own 100% of a project, it owns 50% or less in all cases except COBEE and Kladno.

(2) NRG accounts for its investments in projects where ownership is between 20% and 50%, and where there is no effective and legal control, using the equity method of accounting; COBEE and Kladno are also accounted for using the equity method of accounting even though NRG currently owns more than a 50% interest in both projects because NRG intends to sell down below the 50% level. Equity in earnings of unconsolidated project affiliates includes NRG's proportionate share of all net income or losses attributable to project investments accounted for using the equity method.

(3) Includes pretax charges of $5.0 million, $5.0 million and $1.5 million in 1994, 1995 and 1996, respectively, to write-down the carrying value of certain energy projects.

(4) NRG is included in the consolidated federal income tax and state franchise tax returns of NSP. NRG calculates its tax position on a separate company basis under a tax sharing agreement with NSP and receives payment from NSP for tax benefits and pays NSP for tax liabilities.

CONSOLIDATED BALANCE SHEET DATA:

	AS OF DECEMBER 31,					AS OF MARCH 31,	
	1992	1993	1994	1995	1996	1996	1997
	(IN THOUSANDS)						
Net property, plant and equipment .	$46,694	$108,934	$107,634	$111,919	$129,649	$111,703	$135,652
Net equity investments in projects	16,400	20,046	164,863	221,129	365,749	207,859	371,132
Long-term debt, including current maturities	10,499	93,451(1)	93,339(1)	90,034(1)	212,141(1)	214,465(1)	211,536(1)
Stockholder's equity	40,267	97,722	234,722	319,764	421,914	324,600	443,462

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(1) Includes debt relating to MEC, including current maturities, which is non-recourse to NRG. As of March 31, 1997 this debt was $76.4 million.

OTHER DATA (UNAUDITED):

	AS OF AND FOR THE YEAR ENDED DECEMBER 31,					AS OF AND FOR THE THREE MONTHS ENDED MARCH 31,	
	1992	1993	1994	1995	1996	1996	1997
	(DOLLARS IN THOUSANDS)						
NRG's net power generating capacity (MW)	33	33	992	999	1,326	1,021	1,365(1)
NRG's net thermal energy generating capacity:							
mmBtus per hour	695	1,865	1,961	2,318	2,654	2,654	2,654
MWt	204	547	575	679	822	822	822
Consolidated EBITDA (2)	$1,415	$13,682	$47,367	$55,383	$38,131	$6,164	$11,120
Consolidated interest expense	1,662	2,679	6,682	7,089	15,430	3,225	4,063
Consolidated interest expense coverage ratio (3)	0.85x	5.11x	7.09x	7.81x	2.47x	1.91x	2.74x
Consolidated debt service (4)	$2,562	4,272	9,169	10,394	18,323	3,794	4,668
Consolidated debt service coverage ratio (5)	0.55x	3.20x	5.17x	5.33x	2.08x	1.62x	2.38x
Consolidated ratio of earnings to fixed charges (6)	(7)	2.32x	2.98x	1.56x(9)	1.75x(10)	4.48x(10)	(8)

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(1) Does not include NRG's net power generation capacity in Loy Yang A and Kladno.

(2) EBITDA equals the sum of income (loss) before income taxes, interest expense (net of capitalized interest) and depreciation and amortization expense. Management believes that some investors consider EBITDA an accepted indicator of a company's ability to service debt. EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for net income, cash flows from operations or other income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of a company's profitability or liquidity. See Statements of Cash Flows in the Consolidated Financial Statements included elsewhere in this Prospectus.

(3) The interest expense coverage ratio equals EBITDA divided by interest expense.

(4) Debt service consists of the previous twelve months of interest expense and principal payments on long-term debt.

(5) The debt service coverage ratio equals EBITDA divided by debt service.

(6) The ratio of earnings to fixed charges is calculated by dividing earnings by fixed charges. For this purpose "earnings" means income (loss) before income taxes less undistributed equity in operating earnings of unconsolidated affiliates less equity in gain from project termination settlements plus cash distributions from project termination settlements plus fixed charges. "Fixed charges" means interest expense plus interest capitalized plus amortization of debt issuance costs plus a reasonable approximation of the interest factor of rental expense.

(7) Due primarily to the loss incurred in 1992, NRG was unable to fully cover fixed charges. Earnings did not cover fixed charges by $5,940.

(8) Due primarily to undistributed equity earnings exceeding income before income taxes, NRG was unable to fully cover fixed charges. Earnings did not cover fixed charges by $1,832.

(9) The 1995 ratio of earnings to fixed charges calculation includes the effect of an equity gain and cash distribution from a project termination settlement. If the project termination had not occurred, NRG would have been unable to fully cover fixed charges and earnings would not have covered fixed charges by $9,913.

(10) The 1996 ratio of earnings to fixed charges calculation includes the effect of a cash distribution from a 1995 project termination settlement. If the project termination had not occurred, NRG would have been unable to fully cover fixed charges and earnings would not have covered fixed charges by $3,504 for 1996 and by $3,635 for the three months ended March 31, 1996.

SELECTED PRO FORMA CONDENSED FINANCIAL DATA

The unaudited pro forma condensed financial data set forth below give effect to (i) the acquisition by NRG of a 25.37% equity interest in Loy Yang A and the financing thereof and (ii) the Offering. The pro forma statement of income data for the year ended December 31, 1996 and the three months ended March 31, 1997 gives effect to such transactions as if they had occurred at the beginning of the periods presented. The pro forma balance sheet data as of March 31, 1997 gives effect to such transactions as if they had occurred on March 31, 1997. The pro forma condensed financial data do not purport to be indicative of the combined financial position or results of operations of future periods or indicative of the results that would have occurred had the transactions referred to above been consummated on the dates indicated. The following data should be read in conjunction with, and are qualified in their entirety by, the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus.

FOR THE YEAR ENDED DECEMBER 31, 1996

	HISTORICAL	ADJUSTMENTS	PRO FORMA
		(IN THOUSANDS)	
STATEMENT OF INCOME DATA:			
Revenues from wholly-owned operations	$ 71,649	--	$ 71,649
Equity in earnings of unconsolidated affiliates	32,815	$ 15,300 (1)	48,115
Operating costs and expenses	(84,188)	--	(84,188)
Other income (expense)	9,477	--	9,477
Interest expense	(15,430)	(18,750)(2)	(34,180)
Income taxes	5,655	4,373 (3)	10,028
Net Income	$ 19,978	$ 923	$ 20,901

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(1) Represents estimated equity earnings from Loy Yang A for twelve months based upon historical data adjusted for certain management assumptions.

(2) Represents accrued interest on $250 million principal amount of the Old Notes for twelve months at a rate of 7.5% per annum.

(3) Net tax benefit derived from interest expense on the Old Notes.

AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 1997

	HISTORICAL	ADJUSTMENTS	PRO FORMA
		(IN THOUSANDS)	
STATEMENT OF INCOME DATA:			
Revenues from wholly-owned operations	$ 21,665	--	$ 21,665
Equity in earnings of unconsolidated affiliates	8,492	$ 3,825 (1)	12,317
Operating costs and expenses	(23,231)	--	(23,231)
Other income and (expense)	2,018	--	2,018
Interest expense	(4,063)	(4,688)(2)	(8,751)
Income taxes	1,922	1,093 (3)	3,015
Net Income	$ 6,803	$ 230	$ 7,033
BALANCE SHEET DATA:			
ASSETS			
Current assets	$ 69,197	$ 49,100 (4)	$ 118,297
Property plant and equipment net	135,652		135,652
Investments in projects and other assets	491,763	261,800 (5)	753,563
Total assets	$696,612	$310,900	$1,007,512
LIABILITIES AND STOCKHOLDER'S EQUITY			
Long-term and short-term debt	$211,536	$250,000 (6)	$ 461,536
Other liabilities	41,614	--	41,614
Stockholder's equity	443,462	60,900 (7)	504,362
Total liabilities and stockholder's equity	$696,612	$310,900	$1,007,512

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(1) Represents estimated equity earnings for three months from Loy Yang A based upon historical data adjusted for certain management assumptions.

(2) Represents interest expense on $250 million principal amount of the Old Notes for three months at a rate of 7.5% per annum.

(3) Net tax benefit derived from interest expense on the Old Notes.

(4) Represents net cash provided in excess of the amount needed for the investment in Loy Yang A and total financing costs.

(5) Net investment in Loy Yang A of $257 million plus total financing costs associated with the Offering and the Bridge Financing to be amortized over the life of the Old Notes.

(6) Represents the aggregate principal amount of the Old Notes.

(7) Represents equity contribution of $60.9 million by NSP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with NRG's consolidated financial statements appearing elsewhere in this Offering Memorandum. In addition, as a result of the recent Loy Yang acquisition, NRG's future results could differ significantly from NRG's historical results. See "Selected Pro Forma Condensed Financial Data" and "Business."

GENERAL

NRG has developed a complex organizational structure involving foreign holding companies, corporations, partnerships and joint ventures through which NRG holds interests in its international projects. These entities are organized to maximize available cash flows (by reducing and deferring foreign and U.S. taxes) and to reduce current and deferred taxes. As part of NRG's global tax strategy, NRG intends to maintain offshore, for permanent reinvestment in other projects, its dividends and distributions from foreign investments, except to the limited extent required to make payments of interest or principal on loans from NRG. Any repatriation of dividends from foreign investments may result in adverse U.S. income tax consequences.

NRG's policy is to pay for offshore development expenses from available offshore cash. NRG generally funds offshore investments as equity, which can come from a variety of sources, including capital infusions from NSP, borrowings by NRG and internal cash generation. In certain circumstances, a portion of project equity funding is treated as a loan by NRG to the project subsidiary or affiliate on market-based interest rate and repayment terms.

In light of NRG's global tax policy as described above, cash flows from ongoing domestic operations and repayments of principal and interest by foreign project subsidiaries and project affiliates to NRG are expected to be the primary source of cash to service NRG's corporate obligations, including with respect to the Notes. To date, NRG's consolidated operating revenues from domestic operations have been derived primarily from the production and transmission of thermal energy (steam and chilled water) and from the operation of resource recovery facilities that process MSW into RDF. Other operating revenues arose from fees earned in providing management and engineering services to a number of operating facilities. NRG's operating expenses also are largely attributable to domestic activities except for general, administrative and development expenses, which in 1994, 1995 and 1996 were incurred primarily in pursuit of international investment and acquisition activities.

NRG accounts for investments in projects where ownership is between 20% and 50%, and where there is no effective and legal control, using the equity method of accounting. Under the equity method, NRG's investment in an entity is recorded on the balance sheet at cost and is adjusted to recognize NRG's proportional share of all earnings or losses of the entity. Distributions received reduce the carrying amount of NRG's investment in the entity. For income statement purposes, NRG records as equity in earnings its proportional share of net income or losses which are attributable to those projects that are accounted for using the equity method. Certain reclassifications have been made to the 1994 financial data included herein to conform to the 1995 and 1996 presentation. These reclassifications had no effect on net income or stockholder's equity as previously reported.

The costs of developing a project are expensed until the project meets the major milestones of (1) a signed power purchase agreement or the equivalent and (2) approval by the Board of Directors of NRG. There were several projects under development at March 31, 1997 that met NRG's policy for capitalization of development costs. At March 31, 1997, NRG had a total of $9.6 million in capitalized costs related to Alto Cachopoal ($0.4 million), Collinsville ($1.0 million), Kladno ($6.6 million), Energy Developments Limited ($0.1 million) and West Java ($1.5 million).

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THREE MONTHS ENDED MARCH 31, 1996

For the three months ended March 31, 1997, NRG had operating revenues of $30.2 million, compared to operating revenues of $24.6 million for the three months ended March 31, 1996, an

increase of 23%. NRG's operating revenues from wholly-owned operations for the period ended March 31, 1997 were $21.7 million, an increase of $3.0

million, or 16%, over the same period in 1996. The increase was primarily attributable to increases in MEC sales volume, rates charged to customers and pass-through fuel costs, management fee and cost reimbursement revenue from NRG wholly-owned service subsidiaries, and reduced gas curtailment at Grand Forks AFB. Revenues from the thermal business increased $2.2 million and the RDF business increased $0.6 million, due to increases in MSW deliveries at the Newport Facility. For the three months ended March 31, 1997, revenues from wholly-owned operations consisted primarily of revenue from district heating and cooling (47%), resource recovery activities (30%), other thermal projects (17%) and NEO (1%).

Equity in earnings of unconsolidated project affiliates was $8.5 million for the three months ended March 31, 1997 compared to $5.9 million for the three months ended March 31, 1996, an increase of 44%. New revenue sources from NRGG and COBEE provided equity earnings of $1.8 million and $0.5 million, respectively, for the period ended March 31, 1997. Additionally, new equity investments in Latin Power and NEO contributed an additional $0.5 million in equity income in the first quarter of 1997.

Cost of operations in wholly-owned operations was $12.2 million for the three months ended March 31, 1997, an increase of $2.5 million, or 25.8%, over the same period in 1996, due primarily to increased MEC sales volume, service labor costs and fuel costs. Cost of operations as a percentage of revenues from wholly-owned operations increased to 56% from 52% primarily because of higher fuel and labor costs.

General, administrative and development costs were $8.8 million for the three months ended March 31, 1997, compared to $10.6 million for the three months ended March 31, 1996, a decrease of $1.8 million, or 17.0%. This decrease was due to a reduction in business development expenses of $2.5 million, from $5.2 million for the three months ended March 31, 1996, to $2.7 million for the three months ended March 31, 1997. This reduction was primarily caused by the large number of projects that reached the milestones that allowed such expenses to be capitalized.

Interest expense for the three months ended March 31, 1997, as compared with the same period in 1996, increased by $0.9 million, from $3.2 million to $4.1 million. This increase primarily was due to the issuance of $125 million aggregate principal amount of 7.625% Senior Notes Due 2006 (the "1996 Senior Notes") at the end of January 1996. Therefore, the 1996 Senior Notes were outstanding the entire first three months of 1997 compared to two months in 1996.

Net income for the three months ended March 31, 1997, was $6.8 million, an increase of $4.3 million, or 172%, compared to net income of $2.5 million in the same period in 1996. This increase was due to the factors described above.

YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

For the year ended December 31, 1996, NRG had operating revenues of $104.5 million, compared to operating revenues of $87.8 million in 1995, an increase of 19%. NRG's operating revenues from wholly-owned operations for the year ended December 31, 1996 were $71.6 million, an increase of $7.5 million, or 12%, over the prior year. The increase was primarily attributable to continued expansion of NEO's methane gas business and increased revenues from MEC. For the year ended December 31, 1996, revenues from wholly-owned operations consisted primarily of revenue from district heating and cooling (39%), resource recovery activities (33%), other thermal projects (19%) and NEO (5%).

Equity in earnings of unconsolidated project affiliates, excluding gains on project termination settlements, was $32.8 million for the year ended December 31, 1996, compared to $23.6 million for the year ended December 31, 1995, an increase of 39%. In 1996, new revenue sources from the Schkopau and NRGG projects provided equity earnings of $6.4 million and $2.3 million, respectively. Additionally, Latin Power provided $1.6 million of increased equity earnings in 1996 as compared to 1995 because of the startup of a new project. These were offset by an expected decrease in equity earnings of $9.2 million for the MIBRAG mining and power generation project, primarily due to

expected decreases in coal and briquette sales. Equity in earnings of Gladstone was $10.8 million in 1996, down slightly from 1995 earnings of $11.2 million. Equity in earnings in 1996 and 1995 reflect an investment write-down of $1.5

million and $5.0 million, respectively, relating to the enhanced coal project of NRG's wholly-owned subsidiary, Scoria, Inc. ("Scoria"). On December 31, 1996, NRG's investment balance in the Scoria project was reduced to zero.

Cost of operations in wholly-owned operations was $36.6 million in 1996, an increase of $4.1 million, or 12.6%, compared to 1995, due primarily to increased fuel costs resulting from increased MEC sales volume and per unit fuel prices. Cost of operations as a percentage of revenues from wholly-owned operations remained constant at 51% for 1995 and 1996.

General, administrative and development costs were $39.2 million in 1996, compared to $34.6 million in 1995, an increase of $4.6 million, or 12.9%. The majority of the increase from 1995 to 1996 was due to additional general and administrative expenses incurred in the growth and development of NEO totaling $5.8 million, in contrast with NEO's general and administrative expenses of $1.8 million for the prior year. Business development expenses for the year ended December 31, 1996 totaled $19.4 million, as compared with $17.6 million for the same period in 1995.

Other income, net increased by $4.6 million in 1996 due primarily to additional interest income earned from investing the proceeds of the 1996 Senior Note Offering, which was completed in January 1996.

The effective tax rate (benefit) for the year ended December 31, 1996 was (39.5%), as compared to 22% for the same period ended December 31, 1995. The decrease in the effective tax rate in 1996 was due to a change in NRG's income sources, with more earnings derived from U.S. operations in 1995, primarily the $29.9 million pre-tax gain on the disposition of the San Joaquin power purchase agreements. Because of NRG's intention to reinvest earnings of foreign operations offshore, no provision was recorded for income taxes due upon repatriation.

Net income for the year ended December 31, 1996 was $20.0 million, a decrease of $11.2 million, or 36%, compared to net income of $31.2 million in 1995. This decrease was due to the fact that $29.9 million of that 1995 net income was attributable to the one-time payment for the buy-out of the San Joaquin power sales contract in that year, as well as to the other factors described above.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

For the year ended December 31, 1995, NRG had operating revenues of $87.8 million, compared to operating revenues of $91.1 million in 1994, a decrease of 4%. NRG's operating revenues from wholly-owned operations for the year ended December 31, 1995, were $64.2 million, essentially unchanged from $64.0 million in the prior year. Revenues from wholly-owned operations consisted primarily of revenue from district heating and cooling (39%), resource recovery activities (36%), other thermal projects (21%) and NEO (1%).

Equity in earnings of unconsolidated project affiliates was $23.6 million for the year ended December 31, 1995, compared to $27.2 million for the year ended December 31, 1994, a decrease of 13%. Equity in earnings of $22.2 million from the MIBRAG mining and power generation project increased $2.8 million in 1995 primarily due to increased power and coal sales. Equity in earnings of Gladstone was $11.2 million in 1995 as compared to $7.7 million for the prior year, due to the inclusion of a full year's earnings in 1995 compared to nine months of the prior year. San Joaquin Cogeneration earnings decreased from $6.1 million in 1994 to $2.0 million in equity earnings in 1995 because of the shutdown of the facilities at the end of February 1995, and the termination of the power purchase agreements with Pacific Gas & Electric ("PG&E"). The Sunnyside waste coal facility acquired in late 1994 experienced

initial operating problems, a six-week shutdown for major repairs and refurbishments, and a reduction in power revenue due to lower than anticipated avoided costs of the power purchaser, PacifiCorp, resulting in a loss of $2.7 million in 1995 equity in earnings. Finally, equity in earnings in 1995 reflects an investment write-down of $5.0 million related to Scoria while 1994 equity in earnings reflects investment write-downs of $3.5 million for Scoria and $1.5 million related to the proposed Louisiana Energy Services ("LES") uranium enrichment facility in which NRG owns a 6.73% interest. NRG's investment in LES has been reduced to zero.

Cost of operations in wholly-owned operations was $32.5 million in 1995, a decrease of $2.3 million, or 6.7%, compared to 1994, due primarily to lower resource recovery landfill charges and reduced district heating fuel costs. Cost of operations as a percentage of revenues from wholly-owned operations decreased to 51% in 1995 from 55% in 1994.

General, administrative and development costs were $34.6 million in 1995, as compared to $20.0 million in 1994, an increase of $14.6 million, or 73.0%. Business development expenses made up approximately $8.8 million of this increase. The balance of the increase was attributable to establishing and maintaining NRG's foreign offices and domestic support functions. In 1995, NRG aggressively expanded staff and activity in seeking new projects. Project development activity was redirected and expanded in 1995 as NRG completed its initial investments in the MIBRAG, Gladstone and Schkopau projects in 1994. During 1994, some development costs were capitalized in these projects until financial close was achieved. Conversely, during 1995, NRG expensed the costs of pursuing a number of projects requiring the payment of significant upfront fees and expenses, including an investment opportunity that required expenditure of significant legal fees to submit a competing plan of reorganization in the bankruptcy court proceeding for O'Brien Energy (in which NRG acquired a 41.86% interest in 1996). Most of these costs were expensed because these projects did not meet NRG's requirements for capitalization.

Equity in gain from project termination settlements in 1995 included a one-time pre-tax gain of $29.9 million related to the settlement and termination of the San Joaquin Valley power purchase agreements with PG&E. In 1994, NRG and its partner in the Michigan Cogeneration Partners Limited Partnership agreed to terminate a power sales contract with Consumers Power Company. The contract related to a 65 MW cogeneration facility being developed in Michigan. Due to the agreement to terminate the contract, NRG recorded a one-time pre-tax gain of $9.7 million in 1994.

Other income, net increased $3.5 million in 1995 due primarily to additional interest income from project notes receivable and short-term investments.

The effective tax rate for the year ended December 31, 1995 was 22%, as compared to 7.7% for the same period ended December 31, 1994. This increase from 1994 to 1995 was primarily due to the fact that a greater portion of NRG's income was derived from United States sources in 1995, primarily as a result of the $29.9 million pre-tax gain on the disposition of the San Joaquin power purchase agreements. Because of NRG's intent to reinvest earnings of foreign operations offshore, no provision was recorded for income taxes that would be due on repatriation.

Net income for the year ended December 31, 1995, was $31.2 million, an increase of $1.7 million, or 6%, compared to net income of $29.5 million in 1994. This increase was due to the factors described above.

FINANCIAL RESULTS OF INVESTMENTS IN PRINCIPAL PROJECTS

The following sets forth certain information with respect to the results of investments in principal projects. For a description of these projects, see "Business -- Description of NRG's Projects."

	EQUITY IN EARNINGS					
	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,		
	(DOLLARS IN MILLIONS)					PERCENTAGE OWNERSHIP
PROJECT	1994	1995	1996	1996	1997	INTEREST
MIBRAG (1)	$19.4	$22.2	$13.1	$3.5	$2.4	33.3
Gladstone	7.7 (2)	11.2	10.8	2.6	2.9	37.5
Schkopau	0.0	0.0 (3)	6.4	0.4	1.2	20.6
Kladno (4)	*	0.0	(0.3)	0.1	0.0	34.0
Latin Power ..	(0.3)	0.0	1.6	0.5	0.3	4-9
COBEE	*	*	0.1 (5)	0.0	0.5	58.0
NRGG	*	*	2.3	*	1.8	14-42
NEO	(0.2)	(0.1)	(0.5)	0.1	0.9	50-100

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* Not owned during this period.

(1) Earnings are expected to decrease in 1997 and 1998 due to mine refurbishment and reduced coal sales. However, in 1999, coal sales are expected to increase with the expected startup of the first of two 800 MW generating units being constructed nearby at Lippendorf. Contracts to supply coal to new Lippendorf facility have been executed as part of the MIBRAG transaction.

(2) Purchased in March 1994.

(3) Earnings commenced in the first quarter of 1996 when the first unit was brought on-line.

(4) In 1994, NRG acquired a 26.5% ownership interest in a 28 MW facility. NRG's ownership interest increased to 34% in May 1997.

(5) Based on twelve days of ownership and operation.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used by operating activities was $2.5 million for the first three months ended March 31, 1997, as compared to $1.3 million for the same period of 1996, an increase of $1.2 million. The primary differences between the first quarter of 1997 and the same period in 1996 were increased net income of $4.3 million and changes in deferred income taxes and investment tax credits of $6.3 million, which were offset by an increase in undistributed equity in operating earnings of $2.2 million and a change in working capital items of $9.7 million.

Net cash flow from operating activities was $4.1 million in 1996. Principal components of cash flow from operating activities were net income of $20.0 million, depreciation and amortization of $8.4 million and changes in working capital of ($4.3) million. Non-cash adjustments that reduced cash flow from operating activities consisted primarily of $17.8 million of undistributed equity in operating earnings of unconsolidated project affiliates.

Net cash flow used by operating activities was $5.1 million in 1995. Principal components of cash flow from operating activities were net income of $31.2 million, depreciation and amortization of $8.3 million and changes in working capital items of $9.0 million. Non-cash adjustments that reduced cash flow from operating activities consisted primarily of $29.9 million of undistributed equity in gain from the San Joaquin project termination

settlement.

Net cash flow from operating activities was $12.4 million in 1994. Principal components of cash flow from operating activities were net income of $29.5 million, depreciation and amortization of $8.7 million and changes in working capital items of ($6.1) million. Other adjustments that reduced cash flow from operating activities consisted primarily of $18.5 million of undistributed equity in operating earnings of unconsolidated project affiliates and $1.1 million of cash related to deferred taxes and cash used by changes in other assets.

Net cash used for investing activities for the three months ended March 31, 1997 was $13.5 million as compared to $65.5 million for the same period in 1996. The high level of invested cash in 1996 was caused by NRG's receipt of the proceeds of the 1996 Senior Notes in January 1996, most of which had not been expended by March 31, 1996. Those proceeds were invested in projects throughout the rest of 1996, and $13.8 million was invested in projects in the first quarter of 1997, as opposed to only $1.6 million in that same period in 1996. NRG's project investments in the first quarter of 1997 included $7.5 million in Energy Developments Limited ("EDL"), $2.0 million in Latin Power, and $2.0 million (including capitalized work in progress) in Kladno. NRG also increased its outstanding loans to international projects (a $4.6 million note to Enfield and $2.2 million in notes related to COBEE) creating a cash flow use of $6.7 million in the first quarter of 1997 as compared to a $1.3 million inflow in the same period in 1996. Capital expenditures increased $6.2 million for the three months ended March 31, 1997, as compared to March 31, 1996. This increase is primarily attributable to capital investments in the MEC Fairview Plant of $4.8 million, with the remaining change substantially attributable to the investment in the MEC Federal Reserve Plant. At March 31, 1997, NRG's restricted cash balance was $10.8 million, while at March 31, 1996, it was $98.0 million, again because the proceeds of the 1996 Senior Notes were received in January 1996 and had not yet been expended. The restricted cash balance change for the periods ended March 31, 1997 and 1996 impacted cash flow by $6.9 million and ($88.2) million, respectively. For the period ended March 31, 1997, NRG received $6.7 million from its sale of a portion of its investment in COBEE. For the same period in 1996, NRG received $25.2 million of proceeds related to the termination of the SJVEP Facilities (as hereinafter defined) power purchase agreement.

Cash used for investing activities in 1996 included $140.6 million in equity investments in projects, $36.6 million in loans to projects, and $24.6 million in capital expenditures related to wholly-owned operations. The primary components of NRG's 1996 project investments include $81.8 million for its investment in COBEE, $28.8 million for the 41.86% investment in NRGG and $7.5 million for the purchase of certain biomass assets from O'Brien (subsequently NRGG). NRG's net increase in loans to projects of $36.6 million was primarily due to a loan to NRGG of $14.4 million and the purchase of the senior debt of MCPC. NRG made total capital expenditures in 1996 of $24.6 million and expects to make capital expenditures of approximately $10 million in 1997, $7.7 million of which were made in the three months ended March 31, 1997. Additionally, cash flows from investing activities in 1996 included $15.7 million of cash distributed from SJVEP related to the project termination settlement. The project termination resulted in a pre-tax gain of $29.9 million in 1995, at which time NRG received a $14.2 million distribution. All other cash distributions from the project are included in operating cash flow, while the distributions from project termination are included as cash flow from investing activities.

Cash used for investing activities in 1995 included $25.8 million in equity investments in projects, $35.4 million in loans to projects, and $11.0 million in capital expenditures related to wholly-owned operations. In 1995 NRG invested $25.8 million in several projects, including $11.0 million in the Schkopau project, $4.1 million in the Latin Power Project, $3.8 million in the Kladno project, and $3.3 million in the North America Thermal project. In addition, NRG loaned additional funds of $35.4 million to operating projects,

including a $27.9 million loan to the Schkopau project.

Cash used for investing activities in 1994 included $102.1 million in equity investments in projects and $4.4 million in loans to projects, and $5.8 million in capital expenditures related to wholly-owned operations. In 1994, NRG invested this $102.1 million in several projects including, $64.9 million in the Gladstone project, $18.2 million in the Schkopau project, $11.5 million in the Sunnyside project, and $10.6 million in the MIBRAG project. In addition, NRG provided $13.8 million of restricted cash deposits to collateralize foreign currency hedging activities and letters of credit issued in connection with competitive bids.

Net cash flows from financing activities for the quarter ending March 31, 1997 were $19.4 million, which was primarily made up of the $20 million equity investment by NRG's parent company, NSP, to fund NRG's investment in EDL. This was substantially lower than the same period in 1996, which included the $122.7 million in cash proceeds from the issuance of the 1996 Senior Notes and so totalled $122.1 million at March 31, 1996; NRG incurred $2.3 million in financing costs in connection with the 1996 Senior Notes, which NRG is capitalizing and amortizing over the ten-year life of the notes. For the

balance of 1996, cash flows from financing activities included an $80 million equity contribution from NSP to NRG for the purchase of COBEE. In 1994, cash flows from financing included an investment of $103.9 million from NSP. The proceeds of the capital infusion were used for investments in Gladstone ($64.9 million), Schkopau ($18.2 million), MIBRAG ($10.6 million) and Sunnyside ($11.5 million).

As of March 31, 1997, NRG's consolidated financial statements contained long-term debt (excluding current maturities) of $206.6 million. As of that date, annual maturities of long-term debt ranged from $3.3 million to $4.2 million in the five-year period ending December 31, 2001. See "Certain Indebtedness."

NRG is committed to additional equity investments of approximately $214 million for 1997-2001, approximately $49 million of which is committed for 1997, for various international power generation projects. In addition, in 1996, NRG provided a $10 million loan commitment to a wholly-owned project subsidiary of NRGG, in order for the NRGG project subsidiary to fund its capital contribution to Grays Ferry, a cogeneration project currently under construction. Although no funds have been loaned to date, NRG expects to make a $3.0 million equity contribution loan to NRGG during 1997, which will be offset against NRG's loan commitment. Also in 1996, NRG executed an agreement whereby NRG is obligated to provide NRGG power generation investment opportunities in the United States over a three-year period. These projects, over the three-year term, must have an aggregate equity value of at least $60 million or a minimum of 150 net MW. In addition, NRG has committed to finance NRGG's investment in these projects to the extent funds are not available to NRGG on comparable terms from other sources. (See Note 13 of Notes to Consolidated Financial Statements for further discussion of NRG's commitments.) NRG expects to meet these cash requirements with proceeds from the issuance of debt or equity, including equity contributions from NSP, and internally generated cash.

In May 1997, NRG acquired a 25.37% equity interest in Loy Yang A. See "Business -- Loy Yang Power." In order to finance its equity investment in this acquisition and related financing costs, NRG borrowed $200 million in short-term debt pursuant to the Bridge Financing, which it used together with an investment of $60.9 million from NSP and cash on hand. The net proceeds from the Offering were used to refinance the Bridge Financing. See "Use of Proceeds."

NRG has entered into a $175 million revolving credit facility with a syndicate of banks led by ABN AMRO, which matures on March 17, 2000. There are no borrowings outstanding under this facility and the full amount remains available. Proceeds from the facility will be used for general corporate

purposes, including letters of credit and interim funding for NRG project investments.

NRG Energy Center, Inc. ("NRG Energy Center") expects to enter into a master shelf agreement during August 1997, pursuant to which NRG Energy Center may issue $30 million in term notes with maturities no later than June 2017. The master shelf revolving credit facility could also provide for up to $5 million of short-term borrowings. This facility is expected to be recourse only to NRG Energy Center and is intended to provide financing for MEC.

As part of NRG's global tax strategy, NRG intends to maintain offshore, for permanent reinvestment in other foreign projects, earnings from foreign investments. For this reason, NRG intends to utilize the earnings in its domestic operations to make the payments of principal and interest on the Senior Notes. These earnings will include payments of interest and principal to be received from its wholly-owned Dutch project subsidiary, NRGenerating International, B.V., with respect to loans from NRG. Although dividends and management fees to NRG and its subsidiaries from partnerships in which NRG invests are subject to restrictions in some cases, NRG currently expects that cash generated internally and funds from borrowings described above will provide sufficient funds for operating activities. However, there can be no assurance that available funds will be sufficient for such purposes. Because substantially all of the operations of NRG are conducted by its project subsidiaries and project affiliates, NRG's cash flow and its ability to service its indebtedness, including its ability to pay the interest on and principal of the Senior Notes when due, are dependent upon cash dividends and distributions or other transfers from its project and other subsidiaries and project affiliates to NRG.

IMPACT OF INFLATION, INTEREST RATES, EXCHANGE RATES AND ENERGY PRICES

NRG attempts, whenever practicable, to hedge certain aspects of its international project investments against the effects of inflation and fluctuations in interest rates and energy prices. To date, NRG

has generally structured the energy payments of its power purchase agreements to adjust with the same price indices as contained in its contracts with the fuel suppliers for the corresponding projects. In some cases, a portion of revenues is associated with operation and maintenance and is indexed to adjust with inflation.

As of March 31, 1997, NRG had $214.7 million of foreign currency denominated assets that were hedged by seven forward foreign currency exchange contracts with a notional value of $177 million, including $83 million of Australian dollar hedges and $94 million of German mark hedges, with maturities ranging from two to ten years. In connection with these forward foreign currency exchange contracts, cash collateral of $9.1 million was required at March 31, 1997. In July 1997, NRG changed its policy of hedging foreign currency denominated investments as they were made, to a policy of hedging foreign currency denominated cash flows, over a projected 12-month period. As a result of this change in hedging policy, NRG terminated the seven foreign currency swap agreements on July 29, 1997. Such terminations resulted in cash payments to NRG without any earnings impact. Consistent with prior policies, NRG is not hedging future earnings and does not speculate in foreign currencies.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1997, Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," was issued. In addition, in June 1997 SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information," was also issued. As both SFAS No. 130 and No. 131 are effective for fiscal years beginning after December 15, 1997, NRG's 1998 annual report to shareholders will include the disclosures required by these new standards.

BUSINESS

INTRODUCTION

NRG is one of the leading participants in the independent power generation industry. Established in 1989 and wholly-owned by Northern States Power Company ("NSP"), NRG is principally engaged in the acquisition, development and operation of, and ownership of interests in, independent power production and cogeneration facilities, thermal energy production and transmission facilities and resource recovery facilities. The power generation facilities in which NRG currently has interests (including those under construction and Loy Yang A) as of August 1997 have a total design capacity of 7,010 megawatts ("MW"), of which NRG has or will have operational responsibility for 4,582 MW and net ownership of or leasehold interests in 2,097, MW. In addition, NRG has substantial interests in district heating and cooling systems and steam generation and transmission operations as of December 31, 1996, these thermal businesses had a steam capacity of approximately 3,550 million British thermal units ("mmBtus"). NRG's refuse-derived fuel ("RDF") plants processed more than 808,000 tons of municipal solid waste into approximately 644,000 tons of RDF in 1996.

STRATEGY

NRG intends to continue to grow through a combination of acquisitions and greenfield development of power generation and thermal energy production and transmission facilities and related assets in the United States and abroad. NRG believes that its facility operations and engineering expertise, fuel and environmental strategies, labor and government relations expertise and legal and financial skills give NRG a competitive advantage in the independent power market. NRG also believes that its policy of meeting or exceeding applicable environmental regulatory standards and its environmental compliance record will give it an advantage as regulators continue to impose increasingly stringent environmental requirements on the operation of power generation facilities. In addition, NRG continues to have access to technical and administrative support from NSP on a contract basis to augment its own expertise. NRG believes the knowledge and expertise it has gained in the financial and legal restructuring of its existing facilities, as well as its reputation with respect to environmental compliance and labor relations, can be effectively employed in the development of both domestic and international greenfield projects.

In the United States, NRG's near-term focus will be primarily on the acquisition of existing power generation capacity and thermal energy production and transmission facilities, particularly in situations in which its expertise can be applied to improve the operating and financial performance of the facilities. NRG intends to focus its domestic development activities primarily on the acquisition or development of facilities in excess of 100 MW and to pursue smaller projects when it has the opportunity to combine several smaller projects into a larger transaction. NRG is also working with several industrial companies to develop energy projects that would provide both electricity and steam for their production facilities. In addition, to the extent that the replacement of aging power generating capacity or growth in demand creates the need for new power generation facilities in the United States, NRG intends to pursue opportunities to participate in the development of such facilities. NRG is also studying the opportunities that may be created by the current restructuring of the domestic electric utility industry, particularly the divesture by some utility companies of their generating assets.

In the international market, NRG will continue to pursue development and acquisition opportunities in those countries in which it believes that the legal, political and economic environment is conducive to increased foreign investment. Once it has developed one project in a country, NRG uses that as a base to develop other projects in that same country or region, leveraging its experience and knowledge to enhance its likelihood of success in the area. NRG intends to continue to capitalize on opportunities created by the privatization of existing government-owned generating capacity. In addition, due to the significant existing demand for new power generating capacity in

the international market, NRG intends to engage in the development of international greenfield projects. NRG intends to focus its international development activities primarily on the acquisition or development of facilities with capacity in excess of 100 MW and to pursue smaller projects when it has the opportunity to combine several smaller projects into a larger transaction. NRG believes that the global market will continue to provide attractive

investment opportunities to NRG as the countries that have initiated the privatization of their power generation capacity and have solicited bids from private companies to purchase existing facilities or to develop new capacity continue their privatization programs and other countries begin similar privatization efforts.

NRG's acquisition and development strategy is based upon the pursuit of opportunities located in countries that are expected to meet certain project-specific and market criteria. These criteria include fuel type, facility size, form of ownership or control, type of transaction (privatization or greenfield) and committed capacity compared to projected market demand. The evaluation process also incorporates political and business climate criteria that include a favorable legal and regulatory environment, ability to attract financing and economic outlook. NRG's goal is to focus on countries that provide a combination of need for additional generation capacity and positive political, business and economic factors.

NRG expects to acquire or develop most domestic and international projects on a joint venture basis. Where appropriate, NRG will include a local or host country partner or a partner with substantial experience in or connections to the area. By doing so, NRG expects to gain a number of advantages, including technical expertise possessed by others, greater knowledge of and experience with the political, economic, cultural and social conditions and commercial practices of the region or country where the project is being developed, and the ability to leverage NRG's human and financial resources. A local partner also may, among other things, assist in obtaining financing from local capital markets as well as building political and community support for the project. NRG expects such joint ventures will enable it to share the risks associated with the acquisition and development of larger projects. Joint acquisition and development of future projects also should further reduce NRG's financial risk by building a more diversified portfolio of projects.

Although NRG exercises flexibility in structuring its investments in projects, NRG's goal is to own a 20% to 50% equity interest in, and have operating control or influence over, the projects in which it invests. However, NRG may in some instances be willing to modify these ownership targets for a particular project if appropriate to maximize value and control risk. NRG may participate in a project that it does not control or operate if it determines that strategic considerations and anticipated returns, when combined with other factors, such as the ability to exercise "negative control" (i.e., the ability to control material project decisions by exercising a veto right) or the ability to exercise oversight authority in the development or operation of a project, justify an investment in that project. Alternatively, NRG may consider investments or projects in which it is the sole or a majority owner or in which it owns less than a 20% equity interest. See "Risk Factors -- Risks Involved in Making Minority Investments in Projects."

NRG intends to pursue the acquisition and development of natural gas-fired power generation facilities where appropriate, to complement its existing and anticipated future investments in coal and other solid fuel-fired facilities.

As part of NRG's global tax strategy, NRG intends to maintain its earnings from foreign investments offshore, for permanent reinvestment in other foreign projects. For this reason, NRG intends to utilize the earnings in its domestic operations to make the payments with respect to the Notes. These earnings are expected to include payments of interest and principal to be received from NRGenerating International, B.V. ("NRGBV") with respect to loans from NRG to

that company.

COMPETITION

The demand for power in the United States traditionally has been met by utilities constructing large-scale electric generating plants under cost-of-service based regulation. The enactment of PURPA in 1978 spawned the growth of the independent power industry which expanded rapidly in the 1980s. The initial independent power producers to enter the market were an entrepreneurial group of cogenerators and small power producers who recognized the business opportunities offered by PURPA. This initial group of independent power producers was later joined by larger, better capitalized companies, such as subsidiaries of fuel supply companies, engineering companies, equipment manufacturers and affiliates of other industrial companies. In addition, a number of regulated utilities created subsidiaries (such as NRG) which compete with the independent power producers. Some

independent power producers specialize in market niches, such as a specific technology or fuel (for example, gas-fired cogeneration, waste-to-energy, hydropower, geothermal, wind, solar, wood, coal and conservation) or a specific region of the country where they believe they have a market advantage.

Although NRG is one of the leading participants in the independent power industry, certain other independent power producers and utility affiliates have significantly larger capital resources available to them on a stand-alone basis than NRG. NRG's competitors are major international independent power producers worldwide, which include, among others, CalEnergy, CMS Generation Co., Cogentrix Energy, Inc., Dominion Energy, Enron Development Corp., Edison Mission, Inc., National Power plc, PowerGen plc, Southern Electric International, Inc. and The AES Corporation.

PENDING ACQUISITIONS AND PROJECTS UNDER DEVELOPMENT

NRG has a number of projects in development and is in various stages of negotiations for the acquisition of power and steam generating capacity in the United States and abroad. There can be no assurance that the acquisition or development of any or all of these projects will in fact be consummated, or if consummated, that the projects will remain in the form or occur in the manner described in this Prospectus.

WEST JAVA

A joint venture among NRG, Ansaldo Energia SpA, a major Italian industrial company ("Ansaldo"), and P.T. Kiani Metra, an Indonesian industrial company ("PTKM"), is developing a 400 MW coal-fired power generation facility in West Java, Indonesia through P.T. Dayalistrik Pratama ("PTDP"), a limited liability company created by the joint venturers. Each of NRG and Ansaldo have an ownership interest of 45% in PTDP and PTKM has an ownership interest of 10%.

PTDP signed a Power Purchase Agreement (the "PPA") with P.T. PLN (Persero) ("P.T. PLN"), an instrumentality of the Government of Indonesia, on November 13, 1996. Under the PPA, PTDP must close and draw on construction financing no later than January 12, 1998 or be subject to termination. Furthermore, in certain circumstances of default the PPA gives P.T. PLN an option to purchase the project prior to commercial operation at a price designed to give NRG and its partners a fixed rate of return on their committed equity investments and, after commercial operation, at a price based on the net present value of future project cash flows.

PTDP has executed a construction contract pursuant to which Ansaldo will construct the project for a fixed price on a fixed schedule (subject to customary adjustments). Ansaldo is liable for liquidated damages in the event of certain construction delays or defaults. An NRG affiliate will be the operator of the project pursuant to an operating and maintenance agreement, which provides for reimbursement of the actual operating costs and payment of

an annual fee. NRG will guarantee the operator's obligations under this agreement. In June 1997, PTDP signed a coal supply agreement for the project and acquired the land for the plant site.

NRG expects that, upon closing of financing, its total committed equity in PTDP will be approximately $65 million. The total project cost is approximately $560 million, which is to be financed by a combination of equity investments, commercial bank debt and capital markets funding. The project is currently expected to reach financial closing by the third quarter of 1997.

ENFIELD

In December 1996, NRG reached agreement with Indeck Energy Services (Europe) ("Indeck") to take a 50% interest in the Enfield Energy Centre, a 350 MW gas-fired power project for which the gas supply facility is under construction in the North London borough of Enfield. The power station is planned to begin commercial operations in the latter half of 1999 and is being jointly developed by NRG and Indeck. This power station, like Loy Yang A, will not have a long-term power sales contract, which is no longer available under the current United Kingdom regulatory system. Instead, it will sell its output to the U.K. grid.

ESTONIA

On December 20, 1996 representatives of the Estonian Government, the state-owned Eesti Energia ("EE"), and NRG signed a Development and Cooperation Agreement ("DCA"). The DCA defines the terms under which the parties are to establish a plan to develop and refurbish the Balti and Eesti Power Plants. Pursuant to the DCA, a business plan for the joint project was submitted in June, 1997. NRG has stated its willingness to invest up to $50 million of equity in this project and to endeavor to arrange up to $200 million of non-recourse debt for it.

ALTO CACHAPOAL

NRG owns a 27.75% interest in the Alto Cachapoal greenfield hydroelectric complex that is under development in central Chile. Alto Cachapoal is a two-stage 390 MW project. In the first 195 MW stage, Alto Cachapoal will sell all of its firm energy to Codelco-El Teniente, the world's largest underground copper mine, pursuant to a 20-year power sales contract. Financial closing for the first stage is expected in 1997. NRG's partners in the Alto Cachapoal facility are Nordic Power Invest AB (27.75%) and Construtora Andrade Gutierrez S.A. (44.5%).

CAJUN

NRG, together with two other parties, has filed a plan with the United States Bankruptcy Court for the Middle District of Louisiana, to acquire the fossil generating assets of Cajun Electric Power Cooperative of Baton Rouge, Louisiana ("Cajun") for approximately $1.1 billion. The NRG consortium has the support of the Chapter 11 trustee and Cajun's secured creditors. The Court has also received two other competing plans of reorganization for Cajun. All three plans of reorganization are the subject of a confirmation hearing which began on December 15, 1996. NRG expects the confirmation process to conclude in 1997. Under the plan filed with the Court, NRG would hold a 30% equity interest in Louisiana Generating, which would acquire Cajun's 1760 MW of non-nuclear generating assets.

MCPC

In September 1996, through its subsidiary, Oklahoma Loan Acquisition Corp. ("OLAC"), NRG acquired all right, title and interest in the existing senior secured debt of Mid-Continent Power Company, Inc. ("MCPC") from Barclays Bank and The Nippon Credit Bank, at a substantial discount. On June 18, 1997, MCPC filed a Chapter 11 petition in federal bankruptcy court in Tulsa, Oklahoma, and concurrently filed a plan of reorganization proposing to transfer

ownership of substantially all of MCPC's assets to OLAC in exchange for forgiveness of debt. NRG is currently engaged in discussions with MCPC and its major customers concerning the proposed plan. The project is a gas-fired cogeneration plant with a rated capacity of 110 MW, located in Pryor, Oklahoma. The project sells steam to several industrial customers located in the Mid-America Industrial Park and sells electricity to two Oklahoma utilities.

MILLENIUM

NRG Morris Cogen Inc. has signed an agreement with Millenium Petrochemicals Inc. pursuant to which this NRG affiliate will develop, permit, finance, construct, own and operate a 117 MW cogeneration plant at Millenium's Morris, Illinois polyethylene manufacturing factory. The plant would be fueled primarily with natural gas, with process methane gas making up the balance. It would supply all of the factory's steam and electrical needs pursuant to a 25 year contract and would market the excess electrical capacity. Millenium would have the right to buy out the cogeneration plant for fair market value at certain defined points in the contract term.

NRG is also pursuing several other energy-related investment opportunities and continues to evaluate other opportunities as they arise.

DESCRIPTION OF NRG'S PROJECTS

NRG owns interests in power generation and thermal generation projects and other facilities described herein either directly or through project subsidiaries or project affiliates. Each project is located

on a site that is owned or leased on a long-term basis by NRG, a project subsidiary or a project affiliate. The ownership or leasehold interest generally is mortgaged to secure project financing obligations, and, in certain instances, to secure the project subsidiary's or project affiliate's obligations under its power purchase agreement.

PROJECT AGREEMENTS

In the past, virtually all of NRG's operating power generation facilities have sold electricity under long-term power purchase agreements. A facility's revenue from a power purchase agreement usually consists of two components: energy payments and capacity payments. Energy payments, which are intended to cover the variable costs of electric generation (such as fuel costs and variable operation and maintenance expense), are normally based on a facility's net electrical output measured in kilowatt hours, with payment rates either fixed or indexed to the fuel costs of the power purchaser. Capacity payments, which are generally intended to provide funds for the fixed costs incurred by the project subsidiary or project affiliate (such as debt service on the project financing and the equity return), are normally calculated based on the net electrical output or the declared capacity of a facility and its availability.

The power purchase agreements for NRG's international projects generally require that payments under such agreements be made in or indexed to United States dollars or a currency freely convertible to United States dollars, such as the Australian dollar or the German mark. NRG currently does not have political risk or currency convertibility and repatriation risk insurance coverage with respect to any of its existing project interests (other than Latin Power project investments). However, where appropriate and if available at reasonable premiums with respect to future project investments, NRG intends to procure insurance against currency inconvertibility and repatriation risks for its equity interests in projects.

A number of the more recent projects in which NRG has acquired or is acquiring an interest do not have long-term power purchase agreements. For example, Loy Yang does not have such agreements because under the new Australian regulatory scheme, all generators must sell their output to a grid,

where the price is established by a neutral regulator based on the market prices during each defined period. The same will be true of Enfield, since the United Kingdom has adopted a similar regulatory scheme. Similarly, the SJVEP Facilities accepted a buy-out of their long-term contracts, so if they recommence operations, it is anticipated that they will be merchant plants. In the case of the Kladno project, where there is a long-term agreement, the energy price is tied to the market price rather than to the costs incurred by the project, so the contract does not provide the traditional level of certainty and protection. While these "merchant" projects introduce new risks and uncertainties, and require careful advance analysis of the local power markets, NRG believes that they are becoming increasingly accepted in the independent power market.

Generally, NRG's project subsidiaries and project affiliates that own operating power generation or steam generation facilities purchase fuel under long-term supply agreements or have ownership interests in the fuel source. Of the power generation projects in which NRG has an ownership interest, ten are fueled with coal or waste coal, three are fueled with biomass, three are fueled with oil, seven are fueled with natural gas, one is fueled with hydro-power and one is fueled with landfill gas and coal seam methane. Through NEO, NRG also has interests in 28 small hydroelectric or landfill gas-fired power generation facilities.

PROJECT FINANCING

As with its existing facilities, NRG expects to finance most of its future projects with some type of debt as well as equity. Leveraged financing permits the development of projects with a limited equity base but also increases the risk that a reduction in revenues could adversely affect a particular project's ability to meet its debt or lease obligations.

NRG has financed its principal power generation facilities (other than Schkopau) primarily with non-recourse debt that is repaid solely from the project's revenues and generally is secured by interests in the physical assets, major project contracts and agreements, cash accounts and, in certain cases, the

ownership interest, in that project subsidiary. This type of financing is referred to as "project financing." True project financing is not available for all projects, including some assets purchased out of bankruptcy (such as NRGG), some merchant plants, some purchases of minority stock positions in publicly traded companies (such as EDL) and plants in certain countries that lack a sufficiently well-developed legal system. But even in those instances, NRG may be able to finance a smaller proportion of the total project cost with project financing or may employ debt that is either raised or supported at the corporate level.

Project financing transactions generally are structured so that all revenues of a project are deposited directly with a bank or other financial institution acting as escrow or security deposit agent. These funds then are payable in a specified order of priority set forth in the financing documents to ensure that, to the extent available, they are used first to pay operating expenses, senior debt service and taxes and to fund reserve accounts. Thereafter, subject to satisfying debt service coverage ratios and certain other conditions, available funds may be disbursed for management fees or dividends or, where there are subordinated lenders, to the payment of subordinated debt service.

In the event of a foreclosure after a default, NRG's project subsidiary or project affiliate owning the facility would only retain an interest in the assets, if any, remaining after all debts and obligations were paid. In addition, the debt of each operating project may reduce the liquidity of NRG's equity interest in that project because the interest is typically subject both to a pledge securing the project's debt and to transfer restrictions set forth in the relevant financing agreements. Also, NRG's ability to transfer or sell its interest in certain projects is restricted by certain purchase options or

rights of first refusal in favor of its partners or the project's power and steam purchasers and certain change of control restrictions in the project financing documents.

These project financing structures are designed to prevent the lenders from looking to NRG or its other projects for repayment (that is, they are "non-recourse" to NRG and its other project subsidiaries and project affiliates not involved in the project), unless NRG or another project subsidiary or project affiliate expressly agrees to undertake liability. NRG has agreed to undertake limited financial support for certain of its project subsidiaries in the form of certain limited obligations and contingent liabilities. These obligations and contingent liabilities take the form of guarantees of certain specified obligations, indemnities, capital infusions and agreements to pay certain debt service deficiencies. To the extent NRG becomes liable under such guarantees and other agreements in respect of a particular project, distributions received by NRG from other projects may be used by NRG to satisfy these obligations. To the extent of these obligations, creditors of a project financing may have recourse to NRG. The project financing structures therefore generally are described throughout this Offering Memorandum as being "substantially non-recourse" to NRG and its other projects.

NRG's facilities are insured in accordance with covenants in each project's debt financing agreements (if any) and in accordance with NRG's risk management policies. Coverage for each facility generally include workers' compensation, commercial general liability supplemented by primary and excess umbrella liability, and a master property insurance program including property, boiler and machinery (at replacement cost) and business interruption.

OPERATING ARRANGEMENTS

NRG operates each of the projects that it wholly owns or controls. Where NRG has only a minority interest and is not the operator of a project, NRG generally seeks the ability to exert a degree of influence with respect to operation of the project through its joint venture or similar agreement with its partners.

As a condition to participating in privatizations and refurbishments of formerly state-owned businesses, NRG may be required to undertake transitional obligations relating to union contracts, employment levels and benefits obligations for employees, which could delay the achievement of desirable operating efficiencies and financial performance.

SUMMARY OF NRG PROJECTS

NRG has interests in 26 operating power generation facilities worldwide (not including NEO). Of these facilities, 11 are located in the United States (531 MW design capacity, with NRG holding 176 MW

net ownership), 4 are located in Germany (1,160 MW design capacity, with NRG holding 267 MW net ownership), 4 are located in Australia (4,039 MW design capacity, with NRG holding 1,244 MW net ownership), and two are located in Colombia (299 MW design capacity, with NRG holding 16 MW net ownership), and one is located in each of the Czech Republic (382 MW design capacity, with NRG holding 214 MW net ownership), Jamaica (74 MW design capacity, with NRG holding 7 MW net ownership), Peru (155 MW design capacity, with NRG holding 5.5 MW net ownership) and Honduras (80 MW design capacity, with NRG holding 6 MW net ownership). In 1996, NRG and Vattenfall AB acquired 96.6% of the outstanding common shares of Compania Boliviana de Energia Electrica SA -- Boliviana Power Company Limited ("COBEE"), the second largest electric utility company in Bolivia, which will have a design capacity of 218 MW after a 56 MW expansion in 1998. In addition, through its wholly-owned project subsidiary, NEO Corporation ("NEO"), NRG also has interests in 28 small hydroelectric and landfill gas-fired power generation facilities located in the United States with total design capacity of 72 MW, of which NRG has net

ownership of 35 MW.

In addition to power generation, NRG has interests in four district heating and cooling systems, located in Minneapolis, San Francisco, Pittsburgh and San Diego, that provide steam for heating and chilled water for cooling. NRG also owns or operates two steam transmission facilities and two resource recovery/RDF facilities, all located in Minnesota. NRG also owns or leases interests in lignite mines in Germany estimated to contain reserves of approximately 789 million metric tons and in Australia estimated to contain resources equal to 2 billion tons.

Set forth in the two tables and the text below are descriptions of NRG's facilities in operation or under construction as of August 1, 1997.

INDEPENDENT POWER PRODUCTION AND COGENERATION FACILITIES(1)

NAME AND LOCATION OF FACILITY	DESIGN CAPACITY(MW)(2)	POWER PURCHASER	LATER OF DATE OF ACQUISITION OR DATE OF COMMERCIAL OPERATION	NRG'S PERCENTAGE OWNERSHIP INTEREST	TOTAL FACILITY COST(3) (IN $ MILLIONS)
Loy Yang Power(4), Australia	2000	Victorian Pool	1997	25.37	3,700(5)
Gladstone Power Station, Australia	1680	QTSC; BSL	1994	37.50	532.0(6)
Collinsville, Australia	189	QTSC	1998	50.00	154.0
Energy Development Limited, Australia	170	Various	1997	7.20	Listed company
Kladno Czech Republic, existing project	28	STE/Industrials	1994	34.00	NA(7)
expansion project	354	STE	1997	57.85	401.0
Schkopau Power Station, Germany	960	VEAG	1996	20.55	1,094.0(6)
MIBRAG mbH(4), (Mumsdorf) Germany	100	WESAG	1994	33.33	468.0(4)(8)
MIBRAG mbH(4), (Deuben) Germany	60	WESAG	1994	33.33	(8)
MIBRAG mbH(4), (Wahlitz) Germany	40	WESAG	1994	33.33	(8)
COBEE, Bolivia	218(9)	Electropaz/ELF	1996	57.96	174.6
Latin Power (Mamonal), Colombia	100	Proelectrica	1994	6.45	71.0
Latin Power (Termovalle), Colombia	199	EPSA	1998	4.88	145.6
Latin Power (ELCOSA), Honduras	80	Empresa Nacional de Energia Electrica	1994	7.65	93.0
Latin Power (Dr. Bird), Jamaica	74	Jamaica Public Service Company, Ltd.	1995	8.78	98.0
Latin Power (Aguaytia), Peru	155	Central Peruvian Electricity Grid	1998	3.63	256.0
NRGG (Parlin), New Jersey	122	Jersey Central Power & Light Company	1996	41.86	Listed company
NRGG (Newark), New Jersey	52	Jersey Central Power & Light Company	1996	41.86	Listed company
NRGG (Grays Ferry), Pennsylvania	150	PECO Energy Company	1996	13.95	Listed company
NRGG (Philadelphia Water), Pennsylvania	22	Philadelphia Municipal Authority	1996	34.74	Listed company
San Joaquin Valley (Madera), California	23	NA(10)(11)	1992	45.00	45.8
San Joaquin Valley (Chowchilla II), California	10	NA(10)(11)	1992	45.00	
San Joaquin Valley (El Nido), California	10	NA(10)(11)	1992	45.00	
Jackson Valley Energy Partners, California(12)	16	PG&E	1991	50.00	28.0
Sunnyside Cogeneration Associates, Utah	58	PacifiCorp	1994	50.00	139.4
Artesia, California	34	Southern California Edison	1996	2.96	40.0
Cadillac Renewable Energy, Michigan	34	Consumers Power	1997	50.00	5.0(13)

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(1) Does not include the small hydroelectric and landfill gas-fired power generation facilities owned by NEO with an aggregate capacity of 72 MW, of which NEO has net ownership of 35 MW. In addition, NEO has landfill gas projects under construction with an aggregate capacity of 23.5 MW, of which NEO has net ownership of 11.8 MW.

(2) Design capacity is without deduction for internally consumed power.

(3) Except as otherwise indicated, total facility cost includes the total acquisition cost (purchase price plus assumed debt) where NRG has acquired an interest in an existing facility or the total construction cost where NRG has acquired an interest in a facility under construction.

(4) Each of Loy Yang and MIBRAG also owns coal mines which sell coal both to its respective power plant and to third parties.

(5) Figures based on an acquisition cost of AUS$4.7 billion, converted at an exchange rate of 0.7767.

(6) Based on exchange rates in effect at the time of acquisition.

(7) The existing Kladno facility was constructed over a number of years in former Czechoslovakia and no meaningful cost data are available.

(8) This figure represents the total cost for the 3 generation facilities and the lignite mine reserves owned by MIBRAG. The purchase price includes a commitment to contribute DM 1 billion of additional capital made by MIBRAG at the time of the acquisition. In addition to the price stated above, MIBRAG is required to pay premiums to the German government based on the quantity of lignite and briquettes sold.

(9) Includes the Zongo 56 MW expansion which will be operational in 1998.

(10) Operations suspended following buy-out of power purchase contracts and pending negotiation of new power purchase agreements or sale of such facilities.

(11) PG&E has agreed to a buy-out of related power purchase agreements, but retains a right of first refusal with respect to output of facilities.

(12) Operations were suspended during 1995 and 1996 pursuant to a restructuring of the power purchase agreement. Operations restarted on May 1, 1997.

(13) In addition, NRG pays GE Credit Corporation rent under an operating lease for the facility.

THERMAL ENERGY PRODUCTION AND TRANSMISSION FACILITIES AND RESOURCE RECOVERY FACILITIES

NAME AND LOCATION OF FACILITY	DESIGN CAPACITY(1)	THERMAL ENERGY PURCHASER/MSW SUPPLIER	DATE OF ACQUISITION	NRG'S PERCENTAGE OWNERSHIP INTEREST	TOTAL FACILITY COST(2) (IN $ MILLIONS)
Thermal Energy Production and Transmission Facilities					
Minneapolis Energy Center (MEC), Minnesota	Steam: 1,323 mmBtu/hr. (388 MWt) Chilled water: 35,550 tons/hr.	Approximately 90 steam customers and 30 chilled water customers	1993	100.00	110.0
North American Thermal Systems (NATS), Pennsylvania; California	Pittsburgh: steam--240 mmBtu/hr. (70 MWt) chilled water--10,180 tons/hr. San Francisco: steam--490 mmBtu/hr.	Approximately 24 customers in Pittsburgh and 210 customers in San Francisco	1995	49.40(3)	6.8

	(144 MWt)				
San Diego Power & Cooling	Chilled Water: 5,250 tons/hr.	Approximately 14 customers	1997	100.00	6.7
Waldorf, Minnesota	Steam: 430 mmBtu/hr. (126 MWt)	Waldorf Corporation	1992	100.00	14.2
Washco, Minnesota	160 mmBtu/hr. (47 MWt)	Andersen Corporation Minnesota Correctional Facility	1992	100.00	5.2
Grand Forks Air Force Base, North Dakota	105 mmBtu/hr. (31 MWt)	Grand Forks Air Force Base	1992	100.00	2.2
Energy Center Kladno, Czech Republic(4)	512 mmBtu/hr. (150 MWt)	City of Kladno	1994	34.00	NA(4)
Resource Recovery Facilities					
Newport, Minnesota	MSW: 1,500 tons/day	Ramsey and Washington Counties	1993	100.00	17.1
Elk River, Minnesota(5)	MSW: 1,500 tons/day	Anoka, Hennepin, and Sherburne Counties; Tri-County Solid Waste Management Commission	NA(6)	0.00	NA(5)

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(1) Thermal production and transmission capacity is based on 1,000 Btus per pound of steam production or transmission capacity. The unit mmBtu is equal to one million Btus.

(2) Total facility cost includes the total acquisition cost (purchase price plus assumed debt).

(3) Includes 0.5% general partnership interests in each of PTLP and SFTLP.

(4) Kladno also is included in the Independent Power Production and Cogeneration Facilities table on the preceding page.

(5) NRG operates the Elk River resource recovery facility on behalf of NSP.

(6) Not owned during this period.

INDEPENDENT POWER PRODUCTION AND COGENERATION

INTERNATIONAL PROJECTS

LOY YANG POWER

In May 1997, NRG consummated the largest acquisition in its history, acquiring a 25.37% interest in the assets of a 2,000 MW brown coal fired thermal power station and adjacent coal mine located in Victoria, Australia and known as Loy Yang A. The State of Victoria sold the Loy Yang A assets as part of its privatization program to a partnership called Horizon Energy Partnership ("HEP"), formed by affiliates of NRG and of CMS Generation (a wholly-owned subsidiary of CMS Enterprises), together with Horizon Energy Investment Limited (an investment vehicle of Macquarie Bank). NRG has a 25.37% interest in HEP through its wholly-owned project subsidiary, NRGenerating Holdings (No.4) B.V.

HEP purchased the Loy Yang A assets for a total price of approximately AUS$4.7 billion (US$3.7 billion, as of May 12, 1997). While most of that amount was raised through project-financed loans and leveraged leases that are non-recourse to the sponsors, NRG's equity investment was approximately US$257 million. NRG provided that amount and related financing costs from the Bridge Financing, the equity investment by NSP and cash on hand. After the acquisition, HEP changed its name to "Loy Yang Power" ("Loy Yang").

Loy Yang owns and operates a 2,000 MW brown coal fired thermal power station (the "Power Station") and the adjacent Loy Yang coal mine (the "Mine") located in the Latrobe Valley, Victoria, Australia. The Power Station has four generating units, each with a 500 MW boiler and turbo generator, which commenced commercial operation between July 1984 and December 1988. In addition, Loy Yang manages the common infrastructure facilities which are located on the Loy Yang site, which service not only the Power Station, but

also the adjacent Loy Yang B 1000 MW power station ("Loy Yang B"), a pulverized dried brown coal ("PDBC") plant, and several other nearby power stations.

The Loy Yang Power Station has generally achieved high capacity factor performance since commencing commercial operation, as compared to other brown coal generators in the same region of Australia. In the fiscal years ending June 30, 1995 and 1996, the capacity factor has been 94.3% and 91.2%, respectively, which were the best years of capacity factor performance in the project's history. The Power Station has also improved unit reliability, measured both in terms of trip rate and in terms of equivalent forced outage rate, over the last 5 years. The trip rates (per 1000 service hours) were just 1.2 and 0.7 for the 1995 and 1996 fiscal years, respectively. The equivalent forced outage rates for the same periods were 2.07% and 2.72%.

Loy Yang is required by law to sell its entire output of electricity (subject to certain narrow exemptions, including output used in the Power Station and the Mine) through the competitive wholesale market for electricity operated and administered by the Victorian Power Exchange (the "Pool"). There are two components to the wholesale electricity market in Victoria. The first is the Pool. The second is the price hedging contracts, known as Contracts for Differences (or "CFDs"), that are entered into between electricity sellers and buyers in lieu of traditional power purchase agreements, which are not available in Victoria because of the Pool system.

Under the Victorian regulatory system, all electricity generated in Victoria must be sold and purchased through the Pool. All licensed generators and suppliers, including Loy Yang, are signatories to a pooling and settlement agreement, which governs the constitution and operation of the Pool and the calculation of payments due to and from generators and suppliers. The Pool also provides centralized settlement of accounts and clearing. Prices for electricity are set by the Pool daily for each half-hour of the following day based on the bids of the generators and a complex set of calculations matching supply and demand and taking account of system stability, security and other costs. Under a new national electricity market, the grid in Victoria has been interconnected with that of New South Wales and limited trading is already taking place between those states. Over the long term, there are plans for the interconnection of the eastern seaboard states to establish what will be known as a national power pool. There can be no assurance that NRG's assumptions concerning future market pricing will in fact be realized under this new system.

In a Pool system, it is not possible for a generator such as Loy Yang to enter into traditional power purchase agreements. In order to provide a hedge against Pool price volatility and also to support their financings, most of the Victorian generators have entered into CFDs with the Victorian distribution companies, Victorian government entities and industrial users ("customers"). These CFDs are financial hedging instruments which have the effect of fixing the price for a specified quantity of electricity for a particular seller and purchaser over a defined period. They establish a "strike price" for a certain volume of electricity purchased by the user during a specified period; differences between that "strike price" and the actual price set by the Pool give rise to "difference payments" between the parties at the end of the period. Even if Loy Yang is producing less than its contracted quantity it will still be required to make and will be entitled to receive difference payments for the amounts set forth in its CFDs.

Loy Yang's current CFDs with the Victorian distribution companies and other Victorian government entities in respect of regulated customer load (which are called its "vesting contracts") cover approximately 73% of Loy Yang's forecast revenue from generation in the year ending June 30, 1997, thus providing considerable stability in its income over that period. Loy Yang also enters into CFDs with its unregulated or "contestable" customers; these CFDs are known as "hedging contracts" and, together with the vesting contracts with the regulated customers, they cover approximately 93% of Loy Yang's forecast load for the year ending June 30, 1997. Each of the vesting contracts expires at

the end of the franchise period (December 31, 2000), by which time all retail customers will have become "contestable customers" by operation of law. Loy Yang's hedging contracts are generally for a term of one to two years, and the volume of load covered will increase as retail customers progressively become contestable. Loy Yang's goal is to cover 85% of its forecast load with these hedging contracts.

Loy Yang and the State Electricity Commission of Victoria (the "SECV") have been issued with a joint mining license for the Mine. Under the terms of the privatization, Loy Yang is required to mine coal to supply not only its own Power Station but also the neighboring Loy Yang B, a nearby PDBC plant, and an additional future power station that could be developed on a nearby site. This requirement extends to 2027, but may be extended for an additional 30 years at the SECV's option. Loy Yang receives a fixed capacity charge and a variable energy charge for these services, coupled with a system of initiatives and penalties. Loy Yang has over 70 years of economically viable coal supply at current usage rates within its mine license area, even assuming that it is required to continue supplying coal to the other parties beyond 2026.

As noted above, Loy Yang also manages certain common infrastructure facilities located on Loy Yang's site that service not only Loy Yang, but also Loy Yang B, the PDBC plant, and several other nearby power plants. These services provided include the supply of high quality water, low quality water, ash and waste disposal, drainage and steam.

GLADSTONE POWER STATION

Gladstone is a 1,680 MW coal-fired power generation facility located in Gladstone, Australia. NRG acquired a 37.5% ownership interest in Gladstone when the facility was privatized in March 1994. The other participants in this acquisition are subsidiaries or affiliates of Comalco Limited, Marubeni Corporation, Sumitomo Corporation and Sumitomo Light Metal Industries, Mitsubishi Corporation and Mitsubishi Materials Corporation, and Yoshida Kogyo (the "Participants"). NRG Gladstone Operating Services Pty. Ltd., another wholly-owned subsidiary of NRG ("NRG Gladstone"), operates the Gladstone Power Station under an operations and maintenance agreement expiring in 2011.

Gladstone sells electricity to the Queensland Transmission and Supply Corporation ("QTSC") and also to the Boyne Smelters Limited located at Boyne Island, Queensland ("Smelter"). Pursuant to an Interconnection and Power Pooling Agreement (the "IPPA"), the Participants have the right to interconnect Gladstone to the QTSC system and QTSC is obligated to accept all electricity generated by the facility (subject to merit order dispatch), for an initial term of 35 years. QTSC also has agreed under the IPPA to permit the Smelter to interconnect to the QTSC system and to provide sufficient generating capacity on its system in order to provide an uninterrupted supply of power to the Smelter in most

circumstances. The Participants are obligated to maintain a 35% reserve margin for the Smelter design load, but the QTSC is obligated to provide capacity support to the Participants to make up any shortfall between the available capacity from the GPS and the Smelter demand at any given time.

The QTSC also entered into a 35-year Capacity Purchase Agreement (a "CPA") with each of the Participants for its percentage of the capacity of Gladstone, excluding that sold directly to the Smelter. Under the CPAs, the Participants are paid both a capacity and an energy charge by the QTSC. The capacity charge is designed to cover the projected fixed costs allocable to the QTSC, including debt service and an equity return, and is adjusted to reflect variations in interest rates. A capacity bonus is also available if the Equivalent Availability Factor exceeds 88% on a rolling average basis, and damages are payable by the Participants if it is less than 82% on that same basis. As of March 31, 1997, the two-year average Equivalent Availability Factor was 84.9%. The QTSC also pays an energy charge, which is intended to cover fuel costs.

The owners of the Smelter ("BSL") have also entered into a Block A PPA with each Participant, providing for the sale and purchase of such Participant's percentage share of capacity allocated to the existing Smelter. BSL has also entered into a Block B PPA with each Participant, providing for the sale and purchase of such Participant's percentage share of capacity allocated to the third production line of the Smelter which is currently being commissioned. The term of each of these PPAs is 35 years. BSL is obligated to pay to each Participant a demand charge that is intended to cover the fixed costs of supplying capacity to the existing Smelter and the Smelter expansion, including debt service and return on equity. BSL also is obligated to pay an energy charge based on the fuel cost associated with the production of energy from the facility for BSL. NRG anticipates that the Smelter expansion will result in an increase in Gladstone capacity utilization from approximately 41% in 1994 to an estimated 70% in 1998.

NRG Gladstone is responsible for operation and maintenance of Gladstone pursuant to a 17-year Operation and Maintenance Agreement that commenced in 1994. NRG Gladstone is entitled to a base fee of AUS$1.25 million per year indexed in accordance with Australian CPI (approximately $1.1 million, based on exchange rates and ACPI in effect at March 31, 1997), and an annual bonus based on the capacity bonuses to which the Participants are entitled under the CPAs. NRG Gladstone is obligated to pay liquidated damages for shortfalls in availability in an amount calculated by reference to the liquidated damages payable by the Participants under the CPAs and the PPAs. NRG Gladstone's obligations under the Operation and Maintenance Agreement are unconditionally guaranteed by NRG, subject to an aggregate liability cap of AUS$25 million indexed in accordance with ACPI (approximately $21.5 million, based on exchange rates and ACPI in effect at March 31, 1997).

In the event the Gladstone facility fails to deliver sufficient power for the Smelter and no back up power is available from the QTSC, molten aluminum in the Smelter can solidify, resulting in a shutdown of the Smelter for a substantial period of time. If the failure to deliver power to the Smelter is caused by the willful default of QTSC or the Participants (but not NRG Gladstone), the Participants may become liable to pay liquidated damages, including compensation to BSL for lost profits, which are not capped. QTSC has agreed to indemnify NRG's project subsidiaries and the other Participants for any liability to the owners of the Smelter arising as the result of a willful default by QTSC with regard to its obligations to deliver power to the Smelter, subject to certain mitigation obligations of NRG's project subsidiaries and the other Participants. If such failure is due to the willful default of NRG Gladstone, NRG may become liable, under its guarantee of NRG Gladstone's obligations, to pay liquidated damages up to AUS$25 million indexed in accordance with ACPI (approximately $21.5 million, based on exchange rates and ACPI in effect at March 31, 1997). In addition, in the event NRG Gladstone is terminated for cause under the Operation and Maintenance Agreement, the other Participants can require a sale of NRG's equity interest.

Coal costs for operation of Gladstone generally are passed through to QTSC and BSL via the energy charges under the IPPA and the BSL Power Purchase Agreements. Until 2005, coal will be supplied to Gladstone by QTSC through on-sale agreements between QTSC and the Participants. An umbrella coal haulage agreement between the Participants and Queensland Railways provides for the transportation

of coal by rail from the existing sources and from future coal sources for 30 years, with rail freight costs generally being passed through to QTSC and BSL via the energy charge payable to the Participants. The Participants have arranged for ash disposal from the facility pursuant to an ash management agreement with the Gladstone Port Authority, the City of Gladstone and Queensland Railways.

The acquisition of the GPS by the Participants was financed pursuant to an AUS$625 million (US$443 million at exchange rates in effect at the time) secured term loan and letter of credit facility provided by a consortium of

international banks arranged by Barclay's Bank plc. The debt is non-recourse to NRG and the other owners of the Participants.

NRG's equity in earnings from its 37.5% interest in the GPS was $7.7 million for the nine months of ownership in 1994. Equity in earnings for the twelve months ended December 30, 1995, was $11.2 million, and for the same period in 1996 was $10.8 million. For the first quarter of 1997, equity in earnings increased from $2.6 million for the first quarter of 1996 to $2.9 million.

COLLINSVILLE POWER STATION

The Collinsville Power Station ("Collinsville") is a 189 MW coal-fired power generation facility located in Collinsville, Australia. In March 1996, NRG acquired a 50% ownership interest in Collinsville when the facility was privatized by the Queensland State government. NRG's partner in this acquisition is Transfield Holdings Pty Ltd, an Australian infrastructure contractor, with which NRG formed an unincorporated joint venture to refurbish this plant. The operation and maintenance of the facility will be undertaken by Collinsville Operations Pty Ltd, a 50% owned subsidiary of NRG which has entered into a technical services agreement with NRG for some staffing and assistance with certain operational and maintenance functions.

Both NRG and Transfield have entered into an 18-year PPA with the QTSC, each agreeing to make available and sell to the QTSC its respective proportion of the capacity of Collinsville. Under the PPA, NRG is paid both a capacity and an energy charge by the QTSC. The capacity charge is designed to cover the projected fixed costs allocable to the QTSC, including debt service, permitted capital costs incurred by NRG in carrying out additional works on the facility and an equity return. The capacity charge is adjusted to reflect variations in interest rates. A capacity bonus is also available. The QTSC also pays NRG an energy charge, which is intended to cover fuel costs. Further, in accordance with its take-or-pay obligations, the QTSC must pay NRG its energy charges for an annual minimum quantity of energy in each year, less energy taken by the QTSC in that relevant year.

As of July 1997, the refurbishment of the Collinsville Project is on schedule and within the budget. For each day the capacity test of the facility is delayed past March 1, 1998, NRG and Transfield must pay liquidated damages to the QTSC. Liquidated damages will also be payable if the capacity of the power plant is determined to be less than 177.25 MW. Total liquidated damages which NRG and Transfield can be required to pay to the QTSC under the PPA are limited to AUS$5 million (indexed in April 1995 dollars).

The refurbishment of the Collinsville Power Station has been financed with nonrecourse commercial project financed bank debt. NRG has guaranteed to the QTSC that its Collinsville project subsidiary will satisfy its equity contribution obligations to the project lenders.

ENERGY DEVELOPMENTS LIMITED

On February 6, 1997, NRG, through its wholly-owned subsidiary Hunneric Pty Ltd, signed a subscription agreement with EDL to acquire up to 20% of EDL's common stock at AUS$2.20 (US$1.71 as of May 22, 1997) per share, and was granted an option to acquire 16.8 million convertible preference shares at AUS$2.20 per share. On February 11, 1997, NRG made an initial purchase of 7.2% (4.5 million shares) of EDL's common stock for AUS$9.9 million (US$7.9 million on that date).

EDL, an Australian company, is the largest generator of power from coal seam methane in the world and is engaged in independent power generation from landfill gas, coal seam methane, and natural gas (including projects that utilize the latest combined cycle technology). EDL currently owns approximately

170 MW of operating projects and operates over 200 MW of generation capacity

across five states and territories of Australia. EDL has commenced the development of new projects in the United Kingdom, Asia and New Zealand. EDL is a publicly traded company listed on the Australian Stock Exchange. Its share price as of May 22, 1997 was AUS$2.82 (US$2.19 as of May 22, 1997).

SCHKOPAU POWER STATION

In 1993, NRG and PowerGen plc of the United Kingdom each acquired a 50% interest in a German limited liability company, Saale Energie GmbH ("Saale"). Saale then acquired a 41.1% interest in a 960 MW coal-fired power plant that was under construction in Schkopau, which is located in the former East Germany. A German energy company, VEBA Kraftwerke Ruhr AG ("VKR"), owns the remaining 58.9% interest in Schkopau and operates the plant. The partnership of Saale and VKR that owns the plant is called Kraftwerk Schkopau GbR ("KS").

The first 425 MW unit of the Schkopau plant began operation in January 1996, the 110 MW turbine went into commercial operation in February 1996, and the second 425 MW unit came on line in July 1996. Acceptance testing of all of the individual pieces of equipment has been completed. The plant has generally experienced good availability since the beginning of commercial operation and is expected to continue meeting its design reliability and efficiency requirements.

VKR operates and maintains the Schkopau facility under an operation and maintenance contract with Kraftwerk Schkopau Betriebsgesellschaft mbH, a German limited liability company ("KSB"), in which Saale and VKR hold interests of 44.4% and 55.6% respectively, and which is responsible for the operation and maintenance of the facility pursuant to certain agreements with each of Saale and VKR. VKR is paid a management fee for such services made up of several variable components that will be adjusted according to changes in, among other things, labor costs, producer prices for light fuel oil and prices for electricity. Pursuant to the KSB partnership agreement between Saale and VKR and the Saale shareholders agreement between NRG and PowerGen, NRG has the right to participate in the oversight of facility operations and in the approval and oversight of facility budgets and policies.

The plant is fueled by brown coal (lignite) which will be provided under a long-term contract by MIBRAG's Profen lignite mine. For a description of the coal supply agreement between MIBRAG and the Schkopau project, see "MIBRAG", below.

Pursuant to the KS partnership agreement between Saale and VKR, each partner has been allocated a share of capacity and energy generated by the facility. Saale sells its allocated 400 MW portion of the plant's capacity under a 25-year contract with VEAG, a major German utility which controls the high-voltage transmission of electricity in the former East Germany. VEAG pays a price that is made up of three components, the first of which is designed to recover installation and capital costs, the second to recover operating and other variable costs, and the third to cover fuel supply and transportation costs. NRG receives 50% of the net profits from these VEAG payments through its ownership interest in Saale.

The construction of the Schkopau facility was financed through a combination of capital contributions from Saale and VKR, and borrowings by KS from VKR and from third party lenders, which are non-recourse to NRG. Saale financed a portion of its capital contributions through a line of credit from VKR. Saale's interests in KS and the facility are pledged as security for, among other obligations, the repayment of these borrowings by Saale from VKR. As of March 31, 1997, KS had borrowed an aggregate of DM 1.46 billion (approximately $869 million, based on exchange rates in effect as of March 31, 1997) and Saale had borrowed an aggregate of DM 34.2 million (approximately $20.4 million, based on exchange rates in effect as of March 31, 1997).

NRG, PowerGen and VKR have also entered into a cooperation agreement concerning the participation of VKR in the acquisition or construction of certain large power station projects involving NRG and/or PowerGen in the Federal Republic of Germany.

Earnings from the Schkopau facility commenced in the first quarter of 1996 when the first unit was brought on-line. Equity in Schkopau earnings was $6.4 million for the year ended December 31, 1996 and $1.2 million for the three months ended March 31, 1997.

MIBRAG

In 1994, NRG, Morrison Knudsen Corporation and PowerGen plc each acquired a 33% interest in a Dutch holding company which then acquired the equity of Mitteldeutsche Braunkohlengesellschaft mbH ("MIBRAG") which owns the coal mining, power generation and associated operations of MIBRAG, all of which are located south of Leipzig, Germany. The German government retained a 1% interest in MIBRAG until December 1996, when each of the three original investor parties were permitted to purchase one third of that interest. The investor partners began operating MIBRAG effective January 1, 1994, and the legal closing occurred August 11, 1994.

MIBRAG is a corporation formed by the German government following the reunification of East and West Germany, to hold two open-cast brown coal (lignite) mining operations, a lease on an additional mine, three lignite-fired industrial cogeneration facilities and briquette manufacturing and coal dust plants, all located in the former East Germany. In connection with the acquisition, NRG and its partners agreed to invest (from cash flow from MIBRAG operations) in excess of DM 1 billion (US$597 million based on the exchange rate as of March 31,1997) by December 31, 2004 to modernize the existing mines and power generation facilities and to develop new open-pit mines. The German government is obligated to provide certain guarantees of bank loans to MIBRAG relating to capital improvements to the Schleenhain mine. MIBRAG also agreed to operate the three power generation facilities until 2005, to operate the briquette plants in accordance with market demand until 2005, and to operate the lignite mines until continued operation of the mines is no longer economically justifiable. In addition, MIBRAG has made certain employee retention commitments until 2000. Under the provisions of the sale and purchase agreement, NRG and its partners agreed to make a deferred payment of DM 40 million to the German government in the year 2009. This obligation will be reduced by certain costs incurred by MIBRAG. The remaining obligation at March 31, 1997 was DM 26.7 million (or US$15.9 million based on the exchange rate on March 31, 1997). NRG expects the entire obligation will be offset by ongoing costs prior to the year 2009.

MIBRAG's cogeneration operations consist of the 100 MW Mumsdorf facility, the 60 MW Deuben facility and the 40 MW Wahlitz facility. These facilities provide power and thermal energy for MIBRAG's coal mining operations and its briquette manufacturing plants. All power not consumed by MIBRAG's internal operations is sold under an eight-year power purchase agreement with Westsachsische Energie Aktiengesellschaft ("WESAG"), a recently privatized German electric utility. NRG and PowerGen jointly, through Saale, provide consulting services for a fee for the operation of the MIBRAG steam and power generation facilities, the associated electrical and thermal transmission and distribution system and the briquette manufacturing plants, under a power consultancy agreement with MIBRAG for the life of the facilities. After some retrofitting was completed by MIBRAG, all three of these cogeneration facilities now satisfy the current European Union environmental regulations. MIBRAG leases these cogeneration facilities under a 13-year lease pursuant to which MIBRAG has operating control of and a 1% interest in the facilities.

MIBRAG's lignite mine operations include Profen, Zwenkau and Schleenhain (which is under construction but has not yet commenced operations), with total estimated reserves of 776 million metric tons. Morrison Knudsen, an international mining company, provides consulting services to mines under a consultancy agreement with MIBRAG for the life of the mines. In addition to providing approximately 3 million tons of lignite per year for MIBRAG's three cogeneration facilities and one briquette facility, output from these mines supply lignite to the Schkopau power station and other facilities. The total output of the new Schleenhain mine will be dedicated to the new 1600 MW Lippendorf power station. MIBRAG is currently supplying coal for the existing

Lippendorf and Thierbach power generation facilities, but they are expected to close in 1999 when the new Lippendorf facility is scheduled to commence operations.

In addition to its power generation and coal mining operations, MIBRAG owns and operates two briquette manufacturing plants and a coal dust plant. Operations at the Deuben briquette plant were phased out as anticipated in 1996 due to reduced market demand for briquettes. MIBRAG also partially owns and is the principal customer of a transportation company, an insurance brokerage firm, a briquette marketer, a waste disposal and management company, a ground water consulting company and an environmental consulting company.

MIBRAG is restricted from selling or transferring certain assets without the consent of the German government, generally for a period ending not earlier than January 2004. Even if consent is obtained, MIBRAG is obligated to pay a portion of the proceeds of any sale or transfer of such assets consummated before January 2004 to the German government.

To the extent liabilities arise with respect to environmental conditions existing at the time of the acquisition, MIBRAG is indemnified by the German government, subject to certain limitations. The German government has also agreed to indemnify MIBRAG in respect of certain liabilities arising from claims for the restitution of property allocated to MIBRAG.

MIBRAG has entered into several long-term loan agreements with the Kreditanstalt fur Wiederaufbau ("KfW"), which is the German government economic development bank. Approximately DM 126.7 million ($75.7 million as of March 31, 1997) of these loans relate to the construction of the Wahlitz power station and were assumed as part of the MIBRAG acquisition on January 1, 1994. In January 1996, MIBRAG borrowed an additional DM 94.5 million ($56.4 million as of March 31, 1997) from KfW and DM 198.0 million ($118.2 million as of March 31, 1997) from a group of private investors. The proceeds from these loans are being used in respect of the refurbishment of the Schleenhain mine. These loans are payable out of project revenues over a period of 13 years and are non-recourse to the three sponsors. Additional acquisition payments are due to the German government in the form of premiums based on the quantity of lignite and briquettes sold. MIBRAG has also borrowed an additional DM 90 million ($53.7 million as of March 31, 1997) from the KfW to partially finance the modernization and refurbishment of the Deuben and Mumsdorf plants, particulary the cost of bringing them into compliance with environmental requirements. This loan is also non-recourse to the sponsors.

NRG's equity in earnings from its interest in MIBRAG was $19.4 million in the year ended December 31, 1994 (reflecting a full twelve months of operations). NRG's equity in earnings in MIBRAG for the twelve months ended December 31, 1995, was $22.2 million, and for the same period in 1996 was $13.0 million. Similarly, equity in earnings for the first quarter of 1997 was $2.4 million, while the first quarter of 1996 had been $3.5 million. Earnings from MIBRAG decreased in 1996 and are expected to continue to decrease in 1997 and 1998 due to mine refurbishments and reduced coal sales. However, in 1999, coal sales are expected to increase substantially with the scheduled startup of the first of two 800 MW Lippendorf generating units.

MIBRAG's results of operations, which are reported under German accounting rules, are adjusted for purposes of NRG's financial statements to reflect GAAP. Such adjustments include, among others, adjustments for differences in reporting of depreciation expense, mining reserves, vacation reserves and maintenance reserves.

COBEE

In December 1996, NRG acquired an interest in Compa|fnia Boliviana de Energia Electrica S.A. -- Bolivian Power Company Limited ("COBEE"), the second largest generator of electricity in Bolivia. The acquisition was consummated through a Netherlands corporation, Tosli Investments B.V. ("Tosli"), which is jointly owned by subsidiaries of NRG (60%) and Vattenfall AB of Sweden (40%).

On December 19, 1996, Tosli completed a successful tender offer for the shares of COBEE, which were listed on the New York Stock Exchange, acquiring 96.6% of COBEE's outstanding common shares for a total of $175 million. COBEE shares were delisted in January 1997.

Tosli financed its acquisition of COBEE in part using the proceeds of a $49.6 million bridge loan arranged by Morgan Grenfell & Co. Limited, as administrative agent. The unpaid principal amount of that loan of $30 million was repaid in full on June 19, 1997 using the proceeds of a loan from NRG to Tosli. COBEE is currently negotiating a Credit Agreement with Corporacion Andina de Fomento (the "CAF Financing") for $75 million to fund the completion of the Zongo Project, as described below. Upon closing the CAF Financing, COBEE will declare and pay a dividend to Tosli and COBEE's minority shareholders. The dividend received by Tosli will be used to pay the amounts due on the NRG loan.

Upon Tosli's acquisition of COBEE, the COBEE board of directors was reconstituted to include nine members, including four designees of NRG, three designees of Vattenfall and two outside directors. In addition, in December 1996, the Chief Executive Officer of NRG was elected as chairman of the board of directors and chief executive officer of COBEE.

COBEE generates and transmits electricity in La Paz and Oruro, Bolivia, and owns 14 generating facilities representing an installed capacity of approximately 163 MW. These facilities consist of 145 MW of hydroelectric capacity and 17 MW of gas peaking capacity. During 1996, COBEE had electricity sales of $20 million. In 1996, two distribution companies, Electropaz and ELF, accounted for approximately 69% and 16%, respectively, of COBEE's revenues. The remaining COBEE revenues are derived from sales on the spot market.

COBEE has entered into an Electricity Supply Contract with Electropaz which provides that COBEE shall supply Electropaz with all of the electricity that COBEE can supply, up to the maximum amount of electricity required by Electropaz to supply the requirements of its distribution concession. This Electricity Supply Contract expires in December 2008. COBEE has entered into a substantially similar contract with ELF. Electropaz and ELF are both wholly-owned subsidiaries of Ibedrola S.A., a Spanish utility company. All payments by Electropaz and ELF are in local currency, tied to the value of the U.S. dollar.

COBEE operates its electric generation business under a 40-year Concession granted by the Government of Bolivia in 1990, as most recently amended in March 1995. Under this Concession, COBEE is entitled to earn a return of 9% after all operating expenses, depreciation, taxes and interest expense, calculated on its U.S. dollar rate base, consisting of net fixed assets at historical cost in U.S. dollars and working capital and materials up to certain limits. The Bolivian Electricity Code also provides for the adjustment of rates to compensate COBEE for any shortfall or to recapture any excess in COBEE's actual rate of return during the previous year. COBEE periodically applies to the Superintendent of Electricity for rate increases sufficient to provide its 9% rate of return based on COBEE's current operating results and its projection of future revenues and expenses.

Its Concession also obligates COBEE to expand its hydroelectric generation capacity. As a result, COBEE has an additional 56 MW of new hydroelectric facilities under construction in the Zongo Valley. This expansion, which COBEE refers to as the "Zongo Project," consists of adding new generation facilities and modernizing existing facilities in the Zongo Valley and constructing transmission lines to transmit the increased generation capacity. The Zongo Project is scheduled to be completed in 1998 and is expected to add a total of 56 MW to COBEE's generating capacity.

Under the terms of the Concession, COBEE also has the right to expand its facilities in the Miguillas Basin (the "Miguillas Project") which, if completed, would add over 200 MW of generation capacity. In accordance with its obligations under the Concession, in late 1995 COBEE presented to the

Government a technical-economic feasibility study. COBEE fully expects to proceed with the construction of Miguillas in accordance with a proposal and schedule submitted to the Bolivian government in December 1996. COBEE's proposal still awaits regulatory approval from the Superintendent of Electricity in Bolivia.

There can be no assurance that any or all of the projects under development by COBEE will be completed.

Equity in earnings from COBEE were $0.1 million for the twelve days ended December 31, 1996 and $0.4 million for the three months ended March 31, 1997. For the period ended March 31, 1997, NRG received $6.7 million from its sale of a portion of its investment in COBEE. NRG intends to sell down its ownership in COBEE to less than 50%.

KLADNO

The Energy Center Kladno project, located in Kladno, the Czech Republic, consists of two distinct phases. In 1994, NRG acquired an interest in the existing coal-fired electricity and thermal energy generation facility that can supply 28 MW of electrical energy and 150 MWt of steam and heated water. This plant has historically supplied electrical energy to a nearby industrial complex which includes the Poldi Steel works (which is currently shut down and undergoing reorganization), and to Stredoceska

Energeticka ("STE"), the local regional electric distribution company. In addition, the existing plant supplies steam and heated water to the industrial complex and to the City of Kladno. NRG's interest in the existing project is 34%.

The second phase is the expansion of the existing project by the addition of 354 MW of new capacity, 282 MW of which will be coal-fired and 72 MW of which will be gas-fired. As a part of this effort, the existing plant will be refurbished.

The existing project is owned by a company called Energy Center Kladno ("ECK"), in which NRG owns 34%, El Paso Energy International Company ("El Paso") owns 19% and local partners own the balance of 47%. The expansion project is held separately through ECK Generating ("ECKG"), a Czech limited liability company of which 89% is owned by a Netherlands company called Matra Powerplant Holding B.V. ("Matra") and 11% is owned by STE. NRG owns 65% of Matra and El Paso owns the remaining 35%. As a result, NRG has a net ownership interest in the expansion plant of 57.85%. Each of NRG and El Paso has granted Nations Energy (a subsidiary of Tucson Electric) an option to acquire 15% of Matra at any time before May 1998. If Nations Energy does not exercise its option with NRG, NRG intends to sell down its interest in Matra until its ownership interest in ECKG is less than 50%.

ECK has leased all of the existing power generation facilities to ECKG pursuant to a 40-year lease. NRG, through a wholly-owned subsidiary, has responsibility for operating both the ECK assets and the new facilities. During construction ECKG will continue to service ECK's existing customers. When the new facilities are built ECKG will sell the additional capacity to STE under a 20 year power sales agreement, at a price tied to STE's cost of purchasing power from CEZ, the state-owned power generation entity.

Construction of the new facilities started in early 1997, and in May 1997 ECKG signed loan documents to provide financing for the project. Construction is currently scheduled to be completed in 1999.

As of March 31, 1997, capitalized development costs for the Kladno project were $6.6 million. In addition, the purchase price paid by NRG for the acquisition of its interest in ECK has been capitalized to investments in projects.

LATIN POWER

Latin Power is an investment fund that was formed in July 1993 to make equity investments in independent power projects in Latin America and the Caribbean. NRG, the International Finance Corporation (a member of the World Bank Group), Corporation Andina de Fomento (a multilateral institution for the Andean region headquartered in Caracas, Venezuela) and CMS Generation Co. (the independent power subsidiary of CMS Energy) are the four lead investors in Latin Power. Each of the four lead investors has committed $25 million to Latin Power and has designated Scudder, Stevens & Clark, Inc. ("Scudder") as the investment manager of the fund.

As of March 31, 1997, NRG had invested $13.0 million of its $25 million commitment in Latin Power portfolio project investments. NRG has also committed to fund projects in Peru and Colombia, which will be drawn down during 1997 and 1998. For the balance of the $25 million the Latin Power project committee recently approved two investments in power generation facilities in Guatemala and Brazil. NRG's proportional investments in these projects, which have not yet commenced construction, will be approximately $1.9 million and $550,000 respectively.

Latin Power generally makes equity investments in private sector independent power producers located in Latin America and the Caribbean that sell power under long-term contracts to industrial users or to distribution and transmission companies. The fund also may invest in transmission, distribution or related operations. Latin Power currently holds investments in five projects. The Mamonal project is a 100 MW combined-cycle natural gas-fired power generation facility plant operating near Cartagena, Colombia. The facility is owned by K&M Engineering and Consulting, Bank of Boston, Rockefeller Group

and Latin Power, which purchased a limited partnership interest in the partnership that owns the facility in 1994 for $7.6 million. Total project debt is $57 million, which is non-recourse to the facility owners. The Overseas Private Investment Corporation ("OPIC") insurance covers certain political and currency risks.

In November 1994, Latin Power purchased a 31% interest in the ELCOSA power generation facility in Puerto Cortes, Honduras. ELCOSA is an oil-fired facility with 80 MW of generating capacity, which the facility sells pursuant to a 15-year power purchase agreement to Empresa Nacional de Energia Electrica. The Honduran government has guaranteed the utility's obligations under the power purchase agreement. The Multilateral Investment Guarantee Association is providing insurance for Latin Power's equity investment against expropriation, political violence and certain currency risks.

In December 1995, Latin Power purchased a 35.1% interest in Jamaica Energy Partners, which owns the 74 MW Dr. Bird floating diesel-fired power generation facility. The facility is installed and operating at Old Harbour on the southern coast of Jamaica near Kingston. Jamaica Public Service Company, Ltd. has signed a 20-year power purchase agreement with Jamaica Energy Partners.

In July 1996, Latin Power assumed 14.5% ownership in the Aguaytia power project in Peru which, when constructed, will be a 155 MW gas-fired power plant. When completed, Aguaytia will sell its output to the Peruvian power pool.

In October 1996, Latin Power purchased a 19.5% limited partnership interest in the 199 MW combined cycle Termovalle project near Cali, Colombia. Commercial operation of Phase I (130 MW simple cycle) is expected in August 1997 and of Phase II (199 MW combined cycle) in May 1998. Empresa de Energia del Pacifico (EPSA), a state-owned generation, transmission and distribution company, has entered into a PPA for 160 MW of generating capacity from the project. Industrial purchasers in the Cali area have committed to purchase the remaining power capacity.

In late 1996, NRG committed to make an additional investment in Latin Power II, a new Latin Power fund. This increased its aggregate commitment in Latin Power from $25 million to $32.5 million.

NRG's equity in earnings from its interest in Latin Power was $1.6 million for the year ended December 31, 1996. For the first quarter of 1997, these equity in earnings decreased from $0.6 million from the first quarter of 1996 to $0.3 million.

DOMESTIC PROJECTS

NRG GENERATING (U.S.) INC. ("NRGG")

On January 18, 1996, the U.S. Bankruptcy Court for the District of New Jersey awarded NRG the right to acquire a 41.86% equity interest in O'Brien Environmental Energy, Inc. ("O'Brien"), which emerged from bankruptcy on April 30, 1996 and was renamed NRGG. NRG holds 41.86% of the common stock of NRGG. The remaining 58.14% of the common stock continues to be held publicly. NRGG has interests in three domestic operating projects with an aggregate capacity of approximately 196 MW. NRGG's principal operating projects include: (a) the 52 MW Newark Boxboard Project (which is owned 100% by a wholly-owned project subsidiary of NRGG), a gas-fired cogeneration facility that sells electricity to JCP&L and steam to Newark Group Industries, Inc.; (b) the 122 MW E.I. du Pont Parlin Project (which is owned 100% by a wholly-owned project subsidiary of NRGG), a gas-fired cogeneration facility that sells electricity to JCP&L and steam to E.I. du Pont de Nemours and Company ("E.I. du Pont"); and (c) an 83% interest in a 22 MW standby/peak sharing facility which provides electricity and standby capabilities for the Philadelphia Municipal Authority. In addition, NRGG has a 33.33% interest in the 150 MW Grays Ferry Project, a gas-fired cogeneration project which is under construction in Philadelphia, Pennsylvania.

NRG provides NRGG with management and administrative services in connection with day-to-day operations. NRG employees serve as NRG's designees on the board of directors of NRGG. NRG and NRGG also entered into a "Co-Investment Agreement," pursuant to which NRG grants NRGG a right of first offer to acquire from NRG each energy development project first developed or acquired by NRG for which a co-investor is required because of federal or state regulatory restrictions on NRG's ownership.

NRG has agreed that, within the three-year period following the closing date of the acquisition of NRGG, a minimum of one or more such projects, having an aggregate equity value of at least $60 million or a minimum power generation capacity of 150 MW, will be so offered. To facilitate NRGG's ability to acquire projects under the Co-Investment Agreement, NRG is obligated to provide financing to NRGG to the extent that NRGG is unable to obtain funds on comparable terms from other sources.

NRG has also agreed to certain provisions designed to protect the rights of the holders of the 58% of the equity in NRGG that is not owned by NRG. These provisions include super-majority voting requirements with respect to a merger or sale of all or substantially all of NRGG's assets and certain additional issuances of NRGG stock, the creation of an independent committee of the board of directors of NRGG with authority to, among other things, determine whether NRGG will exercise its right of first offer under the Co-Investment Agreement and a commitment that, for a seven-year period following NRG's investment in NRGG, NRG will not remove or vote against the re-election to NRGG's board of directors of any of the three directors (appointed by Wexford Management Corp. and the Committee of Equity Security Holders) who constitute the independent directors committee.

NRGG and NRG have entered into various loan agreements. At December 31, 1996, the loan balance due to NRG was $14,388,000 with a maturity date of April 30, 2001.

NRGG is listed under the symbol "NRGG" in the OTC market. NRGG's closing

share price as of July 31, 1997 was $16.50.

Newark. The 52 MW Newark project, which commenced operation in November 1990, is 100%-owned by NRG Generating (Newark) Cogeneration Inc. ("NRGGN"), a wholly-owned project subsidiary of NRGG. NRGGN is designed to operate continuously and to provide up to 75,000 lbs./hr. of steam to a recycled paper boxboard manufacturing plant owned by Newark Boxboard Company, a subsidiary of Newark Group Industries, Inc., and 52 MW of electricity to JCP&L, each under agreements extending into the year 2015. The power contract provides fixed on-peak and off-peak energy and capacity payments for the base electrical power and fixed capital, fixed operation and maintenance and variable operation and maintenance payments for the dispatchable power. The facility availability in 1996 was in excess of 95%.

Natural gas for the project is supplied and paid for by JCP&L as a part of its obligations under the terms of the power purchase agreement.

Parlin. The 122 MW Parlin project, which commenced operation in June 1991, is 100% owned by NRG Generating (Parlin) Cogeneration Inc. ("NRGGP"), a wholly-owned project subsidiary of NRGG. NRGGP provides up to 120,000 lbs./hr. of steam to a manufacturing plant in Parlin, New Jersey owned by E.I. du Pont, under an agreement extending until 2021. In addition, the project sells 41 MW of base electric power and up to 73 MW of dispatchable power to JCP&L, under an agreement with an initial term until 2011. The power contract provides fixed on-peak and off-peak energy and capacity payments for the base electrical power and fixed capital, fixed operation and maintenance and variable operation and maintenance payments for the dispatchable power. Finally, the projects sells up to 9 MW of power to NRG Parlin, Inc. ("NPI"), a wholly-owned subsidiary of NRG Energy, Inc. NPI resells this power at retail to E.I. du Pont under an agreement extending until 2011. The facility availability in 1996 was in excess of 95%.

Natural gas for the project is supplied and paid for by JCP&L as part of its obligations under the terms of the power purchase agreement.

Both the Newark and the Parlin projects are being operated by Power Operations, Inc., a wholly-owned subsidiary of NRG which assumed the operations and maintenance responsibilities on December 31, 1996, under a six-year operating agreement providing for reimbursement of the operator's costs plus a fee.

Financing for Newark and Parlin. On May 17, 1996, NRGG's wholly-owned project subsidiaries, NRGGN and NRGGP entered into a Credit Agreement (the "Credit Agreement") with Credit Suisse. The Credit Agreement established provisions for a $155,000,000 15-year loan and a $5,000,000 five-year

debt service reserve line of credit. Pursuant to borrowings in May and July of 1996, NRGGN and NRGGP drew the full $155,000,000 available under the Credit Agreement, which is a joint and several liability of NRGGN and NRGGP and will be amortized over a 15-year period as specified under the terms of the Credit Agreement.

Grays Ferry. NRGG has a 33.3% interest in the 150 MW Grays Ferry Project, which is currently under construction and will, when completed, sell electricity to PECO Energy Company ("PECO") and district heating steam to Trigen-Philadelphia Energy Corporation ("Trigen"). The Grays Ferry Project is being constructed by Westinghouse Electric Corporation ("WEC") pursuant to a fixed price turnkey construction contract. WEC has also made available $15 million in subordinated debt to the project, payable semi-annually after commercial operation and to be repaid in full no later than March 2005. The project is scheduled to go into commercial operation in December 1997. Once in operation, it will be operated by an affiliate of Trigen pursuant to a 25-year operating agreement providing for reimbursement of the operator's costs plus a fee.

PECO will purchase energy and capacity from the project pursuant to two

energy purchase agreements and two capacity purchase agreements, each having a term of 20 years. Gas for the Project will be provided by Aquila Energy Marketing Corporation. The gas sales agreement is tailored so that the project's fuel expenses will track its revenues from sales of electricity. To the extent the actual cost of fuel exceeds revenues received, a tracking account has been established which is payable by the project out of distributable cash flow.

Construction and term loan project financing for the project and certain letters of credit to support project agreements were provided by The Chase Manhattan Bank, N.A., as agent. This financing is non-recourse to NRG. The maturity date for the term loan is the earlier of March 6, 2013 or the fifteenth anniversary of the term loan conversion date.

NEO CORPORATION

NEO is a wholly-owned project subsidiary of NRG that was formed to develop small power generation facilities, ranging in size from 1 to 50 MW, in the United States. NEO is currently focusing on the development and acquisition of landfill gas projects and the acquisition of hydroelectric projects.

Through the investment vehicle Northbrook Energy, L.L.C. ("Northbrook"), NEO presently has a 50% interest in nineteen small operating hydroelectric projects, ranging in size from 1 MW to 6 MW and having a total capacity of 39.3 MW. As of March 31, 1997, NEO's total investment in these projects is $3.9 million. NEO also has loaned $3.7 million to Omega Energy Partners, L.L.C. ("Omega") to fund Omega's 50% equity interest in Northbrook. This loan is secured by Omega's project ownership interest.

NEO also has a 50% interest in eight operating landfill gas projects, as of June 1, 1997, ranging in size from 1 MW to 8.4 MW and having a total capacity of 35 MW. As of March 31, 1997, NEO's investment in these projects totals $2.9 million. In addition, NEO has sixteen landfill gas projects in varying phases of development: these projects will range in size from 1 MW to 11 MW and will have a total capacity of approximately 65 MW that is expected to go into commercial operation in 1997 and 1998. NEO expects its total equity requirements for these development projects to be approximately $55 million. NEO also has twenty-one other landfill gas projects in development that it expects to go into commercial operation in 1998. There can be no assurance that the development of any or all of these projects will in fact be successfully completed.

An important factor in the after tax return of the landfill gas projects is the eligibility of these projects for Section 29 tax credits. The Section 29 tax credit is available only to projects that produce gas from biomass or synthetic fuels from coal. Landfill gas is produced from biomass for purposes of the Section 29 credit. To qualify for the credit, the facility for producing gas must be placed in service no later than June 30, 1998.

NEO generated after tax losses of $520,000 in 1996, reflecting heavy development activity. For the three months ended March 31, 1997, NEO has generated after tax earnings of $900,000 as compared to $90,000 for the same three month period in 1996.

CADILLAC RENEWABLE ENERGY

In July 1997, NRG, together with its partner, Decker Energy International, Inc. ("Decker"), acquired a 34 MW wood-fired steam turbine power plant, located in Cadillac, Wexford County, Michigan ("Cadillac"). NRG and Decker acquired the facility and certain other assets from Beaver Michigan Associates Limited Partnership. Electricity from the plant is sold to Consumers Power under a long-term power purchase agreement. NRG immediately took over operations of the 20-employee plant, now named Cadillac Renewable Energy, through a wholly-owned subsidiary.

SUNNYSIDE

The Sunnyside facility, located in Carbon County, Utah, is a 58 MW waste coal-fired facility that utilizes circulating fluidized bed technology. The Sunnyside facility is owned by Sunnyside Cogeneration Associates ("SCA"), a Utah joint venture, 50% of which is owned by NRG Sunnyside Inc. and 50% of which is owned by B&W Sunnyside L.P., an affiliate of Babcock & Wilcox. Sunnyside Operations Associates, in which affiliates of NRG and Babcock & Wilcox each hold 50% of the partnership interests, performs operations and maintenance services on behalf of SCA. As of December 31, 1996, NRG's investment in SCA was $12.5 million.

PacifiCorp purchases the energy and capacity generated by the Sunnyside facility pursuant to a power purchase agreement with an initial term expiring in 2023. PacifiCorp is obligated to pay for energy at prices based on PacifiCorp's avoided cost. PacifiCorp is obligated to pay for base capacity, up to 45 MW, at a levelized fixed price, and for additional capacity up to 53 MW, at escalating fixed prices. The Sunnyside facility has experienced a shortfall in project cash flow attributable primarily to decreased revenues due to avoided energy rates being significantly lower than originally forecasted. In addition, higher fuel costs than originally forecasted may be incurred in the future.

These changes in the economic performance of the Sunnyside project have caused NRG to explore options for restoring the Sunnyside project to financial health. In particular, SCA has negotiated with PacifiCorp to restructure payments under the power purchase agreement, and SCA has discussed a restructuring of the project debt with its bondholders. In the absence of a restructuring of the project's debt, a debt service reserve fund, which has been used to make up cash shortfalls, is expected to be depleted within six months. There can be no assurances that either PacifiCorp or the bondholders will agree to any restructuring, nor can there be any assurances as to the actions SCA may take when and if the debt service reserve fund is depleted.

JACKSON VALLEY

The Jackson Valley cogeneration facility ("Jackson Valley"), located near Ione, California is a 16 MW fluidized bed power generation facility fueled by waste lignite. The Jackson Valley facility is owned and operated by Jackson Valley Energy Partners, L.P., a California limited partnership ("JVEP") in which NRG owns a 2% general partnership interest and a 48% limited partnership interest. The remaining 2% general partnership interest and 48% limited partnership interest are owned by partnerships formed by two individuals. The facility began operation in 1987 and has had a lifetime operating availability in excess of 90%. NRG acquired its interest in Jackson Valley in July 1991.

Jackson Valley has a long-term power sales agreement with PG&E through to 2014. On April 1, 1995, JVEP reached an agreement with PG&E regarding the partial buy-out of the capacity payments under the PPA. The plant, which had been idle since that date, restarted operations on May 1, 1997, at which time the sale of energy to PG&E recommenced under the amended PPA.

In connection with its acquisition of the Jackson Valley facility in July 1991, JVEP also acquired a montan wax manufacturing plant, three mineral leases and rights to mine lignite on property near the facility. During the period while the JVEP facility was down, the montan wax plant maintained production by receiving its power requirements from an auxiliary boiler. Litigation is pending with respect to defining the nature and extent of JVEP's rights to waste lignite from one of the several mines that supplies the project with fuel. However, since the plant is currently receiving and will for the forseeable future receive

its waste lignite from several other mines, management believes that it is unlikely that this litigation will have a material adverse effect on the JVEP Partnership.

JVEP's acquisition of the power generation facility, the montan wax plant and the mineral rights was financed partially through the assumption of indebtedness under a financing facility that was outstanding at the time of the acquisition. The financing facility, which was restructured in connection with the partial buyout, and the obligations of JVEP under the PPA, are non-recourse to NRG.

SAN JOAQUIN

NRG holds a 2% general partnership interest and a 43% limited partnership interest in San Joaquin Valley Energy Partners I L.P. and San Joaquin Energy Partners IV L.P. (together, the "SJVEP Partnerships"). The SJVEP Partnerships separately own the Chowchilla I, Chowchilla II, El Nido and Madera power generation facilities (the "SJVEP Facilities").

The PPAs with PG&E in respect of the SJVEP Facilities were bought-out by PG&E. The SJVEP Partnerships agreed to terminate these power purchase contracts in exchange for the payment by PG&E of approximately $116 million. NRG received total pre-tax cash distributions of $41.8 million in 1995 and 1996 after retiring debt on the Facilities and making appropriate reserves. The project termination agreement resulted in a pretax gain of $29.9 million in 1995, at which time NRG received a $14.2 million distribution. An additional $15.7 million of cash was received in 1996. PG&E also paid the Facilities' on-going operating expenses during the time that the buyout was in progress, which accounted for $4.7 million of total $29.9 million gain in 1995. The distributions to NRG of $14.2 million and $15.7 million were included as cash flow from investing activities in 1995 and 1996, respectively, while all other cash distributions from the project were included in operating cash flow. Litigation is pending regarding the termination of a bio-fuel supply contract in connection with the buy-out. Appropriate reserves have been made and management believes that it is unlikely that this litigation will have a material adverse effect on the SJVEP Partnerships.

As a result of this buy-out, the SJVEP Facilities have been taken out of service. On December 31, 1996, a contractor for a NEO project purchased the mechanical equipment from the Chowchilla I power generation facility. The SJVEP Partnerships' objective with respect to the other Facilities is to enter into replacement PPAs for the sale of energy and capacity and to resume operation within two years or to sell those SJVEP Facilities. No assurance can be given as to whether replacement agreements will be obtained or, if obtained, whether such agreements will be on terms favorable to the SJVEP Partnerships, or if purchasers for the SJVEP Facilities can be secured, or, if secured, whether the terms of their purchases will be favorable to the SJVEP Partnerships.

STEAM AND CHILLED WATER PRODUCTION, TRANSMISSION AND RELATED SERVICES

MINNEAPOLIS ENERGY CENTER ("MEC")

MEC provides steam and chilled water to customers in downtown Minneapolis, Minnesota. MEC currently provides 90 customers with 1.5 billion pounds of steam per year and 30 customers with 37.0 million ton hours of chilled water per year. NRG, through its wholly-owned project subsidiary NRG Energy Center, Inc. ("NRG Energy Center"), acquired MEC in August 1993 for approximately $110 million. MEC's assets include two steam and chilled water plants, three chilled water plants, two steam plants, six miles of steam and two miles of chilled water distribution lines. The MEC plants have a combined steam capacity of 1,323 mmBtus per hour (388 MWt) and cooling capacity of 35,550 tons per hour.

MEC provides steam and chilled water to its customers pursuant to energy supply agreements which expire at varying dates from December 1997 to March 2017. Historically, MEC has renewed its energy supply agreements as they near expiration. With minor exceptions, these agreements are standard form contracts providing for a uniform rate structure consisting of three components: a demand charge designed to recover MEC's fixed capital costs, a

consumption charge designed to provide a per unit margin, and an operating charge designed to pass through to customers all fuel, labor, maintenance, electricity and other operating costs. The demand and consumption charges are adjusted in accordance with the Consumer Price Index ("CPI") every five years.

NRG Energy Center's acquisition of MEC was financed pursuant to an $84 million senior secured note facility. The notes are 7.31% fixed rate obligations due in 2013, with the principal amortized over the life of the loan and paid quarterly. NRG Energy Center is in the process of renewing and increasing its $10 million master shelf revolving credit facility, which it expects to have in place by August 1997, pursuant to which NRG Energy Center may issue term notes with maturities no later than June 2013. The master shelf revolving credit facility could also provide for up to $5 million of short-term (i.e., less than one year) borrowings. These facilities are recourse only to NRG Energy Center.

On January 9, 1996, two NRG employees were killed in an accident at MEC that occurred while two steam pipes were being connected. NRG believes that any liability relating to this accident will be adequately covered by insurance policies (which contain customary deductibles).

NATS

In August 1995, NRG purchased from Thermal Ventures, Inc. ("TVI"), a 49% limited partnership interest in each of two district heating and cooling projects, one in San Francisco (San Francisco Thermal Limited Partners or "SFTLP") and the other in Pittsburgh (Pittsburgh Thermal Limited Partners or "PTLP"). NRG and TVI then established North American Thermal Systems LLC ("NATS") for the purpose of jointly owning their respective general partnership interests in these two district heating and cooling companies. In 1996, NRG paid $2.8 million to the owners of TVI. and made a capital contribution of $500,000 to NATS in exchange for the sale of the 1% general partnership interests in each of PTLP and SFTLP to NATS. NRG and TVI participate equally in SFTLP and in PTLP and each owns 50% of the membership interests in NATS. As of March 1997, NRG's investment in PTLP was $3.8 million and NRG's investment in SFTLP was $3.4 million.

PTLP and SFTLP are both regulated utilities that operate under tariffs and are rate-regulated. PTLP owns and operates a district heating and cooling system that serves part of downtown Pittsburgh and has peak steam capacity of 240 mmBtus per hour (70 MWt) and 10,180 tons of chilled water per year. PTLP serves 24 customers with 300 million pounds of steam per year and 21 million ton hours of chilled water per year. SFTLP is the sole supplier of steam to downtown San Francisco, which it serves through its district heating system that has steam capacity of 490 mmBtu per hour (144 MWt). SFTLP serves approximately 210 customers with approximately 700 million pounds of steam per year that is used primarily for space and domestic heating and absorption air-conditioning.

NATS is currently considering the acquisition of several other district heating and cooling companies. NRG has agreed to make additional payments to the principals of TVI of up to an aggregate of $7 million until January 1, 2003 for reaching performance benchmarks of current and future NATS operating entities. There is no assurance that NATS and the TVI Joint Venture will consummate any additional acquisition.

SAN DIEGO POWER & COOLING

NRG purchased the San Diego Power & Cooling Company ("SDPC") on June 25, 1997. SDPC serves the cooling needs of fourteen major customers in the downtown San Diego central business district through an underground piping system. SDPC's chilled water capacity is 5,250 tons/hour.

WALDORF

The Waldorf process steam operation, which is owned and operated by NRG, consists of a five-mile closed-loop steam/condensate line that delivers steam to the Waldorf Corporation, a paper manufacturer in St. Paul, Minnesota and has a peak steam capacity of 430 mmBtus per hour (126 MWt). Upon settlement of a 1987 dispute between NORENCO Corporation (a predecessor of NRG) and Waldorf, Waldorf elected to prepay revenues for future steam service. As of March 31, 1997, deferred revenues remaining were $5.8 million. Waldorf is currently running its corrugated medium operations on a rotational basis in response to poor market conditions. Waldorf anticipates improvement in the market and a return to normal corrugated medium operations in September 1997 when seasonal orders are placed. The corrugated medium operations represent approximately 40% of normal steam sales.

All project debt incurred with respect to the Waldorf line has been repaid. NRG maintains a $1.5 million performance bond with respect to the Waldorf steam line.

WASHCO

NRG's Washco steam operation consists primarily of two steam lines and a back-up boiler facility, which were placed in service in 1986. The system has a peak steam capacity of 160 mmBtus per hour (47 MWt).

Andersen Corporation, a window manufacturer based in Bayport, Minnesota ("Andersen"), purchases approximately 200,000 mmBtus of thermal energy annually pursuant to a new ten-year agreement that expires in April 2007. Andersen is obligated to take or pay for an annual quantity of steam equal to 60% of its total of purchased and self-generated steam, on a cost plus fixed fee basis. The Minnesota Correctional Facility ("MCF"), located at Oak Park Heights, Minnesota, purchases approximately 130,000 mmBtus of thermal energy annually pursuant to an agreement that expires in December 2006. MCF purchases steam based on a fixed facility charge plus an energy charge that escalates annually in accordance with an NSP coal fuel and labor index.

GRAND FORKS

NRG's Grand Forks boiler plant facility consists of seven boilers located in Grand Forks, North Dakota that were acquired from NSP in 1990. The system has a peak steam capacity of 105 mmBtus per hour (31 MWt).

The Grand Forks facility provides approximately 400,000 mmBtus of high temperature water annually to the Grand Forks Air Force Base pursuant to an agreement that expires in September 2000. NRG is paid a fixed capacity price component, a variable price component adjusted annually based on changes in CPI and a fuel component that is a pass-through of the facility's fuel costs for high temperature water sold under the agreement.

RESOURCE RECOVERY FACILITIES

RDF projects, such as NRG's Newport facility and NSP's Elk River facility, historically were assured adequate supply of waste through state and local flow control legislation, which directed that waste be disposed of in certain facilities. In May 1994, the United States Supreme Court held that such waste was a commodity in interstate commerce and, accordingly, that flow control legislation that prohibited shipment of waste out of state was unconstitutional. Since this ruling, the RDF facilities owned or operated by NRG have faced increased competition from landfills in surrounding states. As a result of such competition, MSW processed at the Newport facility decreased by approximately 5% in 1995, from approximately 378,000 tons in 1994 to 360,000 tons in 1995. In 1996, however, due to assistance from NRG and a reduction in tipping fees under contracts entered into between haulers and Ramsey and Washington Counties (the "Counties"), waste deliveries reversed their downward trend. In the absence of valid flow control legislation, there can be no assurance that this improved trend will continue. Various legislative proposals have been considered, including legislation that would provide relief to existing RDF facilities. No assurance can be given that

such legislation will be adopted.

NEWPORT

NRG's Newport resource recovery facility, located in Newport, Minnesota, can process over 1,500 tons of MSW per day, 92% of which is recovered as RDF or other recyclables and reused in power generation facilities in Red Wing and Mankato, Minnesota. The Newport facility, which was originally constructed and operated by NSP, was transferred to NRG in 1993. NRG owns 100% of and operates and maintains the Newport facility.

The construction of the Newport facility was financed through the issuance by the Counties of tax exempt variable rate resource recovery revenue bonds, which have subsequently been converted to fixed rate resource recovery revenue bonds with annual maturities each December through to 2006. The

proceeds of such bond issuance were loaned by the Counties to NSP, which agreed to pay to the Counties amounts sufficient to pay the debt service on the bonds. NRG issued a separate note to NSP in an original principal amount of approximately $10 million as part of the consideration for the purchase of the facility from NSP. As of March 31, 1997, $19.8 million was outstanding on the Counties' loan to NSP and $8.4 million was outstanding under NRG's note to NSP.

Pursuant to service agreements with the Counties, which expire in 2007, NRG processes a minimum of 280,800 tons of MSW per year and receives service fees based on the amount of waste processed, pass-through costs and certain other factors. NRG is also entitled to an operation and maintenance fee, which is designed to recover fixed costs and to provide NRG a guaranteed amount for operating and maintaining the facility for the processing of 750 tons per day of MSW, whether or not the Counties deliver such waste for processing.

NRG is in the preliminary stages of negotiations with the Counties relating to the Counties' request that NRG provide price concessions to the Counties under their existing service agreements. To increase MSW flows and improve facility competitiveness, the Counties reduced tipping fees charged to haulers under long-term delivery contracts. The tip fee reduction became effective as of June 1, 1996 and is effective under those contracts until the end of 1998. MSW deliveries for the three months ended March 31, 1997 were 9% higher than the same period in 1996.

Minnesota Waste Processors L.L.C. ("Minnesota Waste Processors"), a limited liability company which is 50% owned by each of NRG and LJP Enterprises, Inc., collects MSW from several cities in southern Minnesota for processing at the Newport facility. NRG also uses Minnesota Waste Processors' primary asset, a large warehouse, as a temporary RDF storage facility to enable more efficient utilization of RDF as a feedstock to NSP's Wilmarth generating plant. The $2 million storage and transfer warehouse owned by Minnesota Waste Processors has been financed through a loan from NRG to Minnesota Waste Processors. In the event of a default on such loan, NRG's recourse likely would be limited to foreclosure on the warehouse.

ELK RIVER

Since 1989, NRG has operated the Elk River resource recovery facility located in Elk River, Minnesota, which can process over 1,500 tons of MSW per day, 90% of which is recovered as RDF or other recyclables and reused in power generation facilities in Elk River and Mankato, Minnesota. NSP owns 85% of the Elk River facility, and United Power Association owns the remaining 15%.

Pursuant to service agreements between NSP and each of Anoka County, Hennepin County, Sherburne County in Minnesota and the Tri-County Solid Waste Management Commission in Minnesota (the "NSP Service Counties"), all of which expire in 2009, NSP is obligated to process a maximum of 450,000 tons of MSW

per year and is entitled to receive service fees based on the amount of waste processed, pass-through costs, revenues credited to the NSP Service Counties and certain other factors. NSP is also entitled to an operation and maintenance fee, which is designed to recover fixed costs and to provide NSP a guaranteed amount for operating and maintaining the facility for the processing of 214,900 tons of waste, whether or not the NSP Service Counties deliver such waste for processing.

NRG also provides ash storage and disposal for the Elk River facility at NSP's Becker ash disposal facility, an approved ash deposit site adjacent to NSP's Sherburne County generating facility near Becker, Minnesota. NRG operates the Becker facility on behalf of NSP. Pursuant to an ash management services agreement between NSP and the NSP Service Counties, the NSP Service Counties pay an ash disposal fee based on the amount of ash disposal, pass-through costs and certain other factors.

Prior to 1996, NRG managed Elk River and Becker Ash on behalf of NSP under a cost and reimbursement arrangement. NRG did not earn a profit with respect to providing such services. As of January 1, 1996, NRG entered into an operation and maintenance agreement with NSP with respect to the Elk River Facilities, under which NRG receives a base management fee and is reimbursed for costs it has incurred. The operation and maintenance agreement also provides for a management incentive fee payable to NRG, based upon the financial performance of the Elk River Facilities.

In 1996 NRG earned a total management fee of $1.5 million, in addition to reimbursed expenses. Management fees for the three months ended March 31, 1997, totalled $266,000 compared to $320,000 for the same period in 1996.

PRINCIPAL CUSTOMERS OF OPERATING SUBSIDIARIES

Customers accounting for more than 10% of NRG's operating revenues (which exclude equity in earnings of projects) in each of the last two fiscal years were as follows:

	YEAR ENDED DECEMBER 31,	
	1995	1996
	(IN MILLIONS)	
Ramsey and Washington Counties, Minnesota (Resource Recovery)	$20.6	$20.8
Waldorf Corporation (Thermal Energy)	10.0	10.1

PROPERTIES

In addition to NRG's properties listed under the heading "Business -- Description of NRG's Projects," NRG leases its offices at 1221 Nicollet Mall, Suite 700, Minneapolis, Minnesota 55403, under a five-year lease that expires in June 2002.

NRG believes that its facilities and properties have been satisfactorily maintained, are in good condition, and are suitable for NRG's operations.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

NRG experiences routine litigation in the course of its business. Management is of the opinion that none of this routine litigation will have a material adverse effect on the consolidated financial condition of NRG.

EMPLOYEES

At March 31, 1997, NRG employed 799 people, approximately 302 of whom are employed directly by NRG and approximately 497 of whom are employed by its wholly-owned subsidiaries. Approximately 500 employees are covered by collective bargaining agreements.

REGULATION

NRG is subject to a broad range of federal, state and local energy and environmental laws and regulations applicable to the development, ownership and operation of its United States and international projects. These laws and regulations generally require that a wide variety of permits and other approvals be obtained before construction or operation of a power plant commences and that, after completion, the facility operate in compliance with their requirements. NRG strives to comply with the terms of all such laws, regulations, permits and licenses and believes that all of its operating plants are in material compliance with all such applicable requirements. No assurance can be given, however, that in the future all necessary permits and approvals will be obtained and all applicable statutes and regulations complied with. In addition, regulatory compliance for the construction of new facilities is a costly and time-consuming process, and intricate and rapidly changing environmental regulations may require major expenditures for permitting and create the risk of expensive delays or material impairment of project value if projects cannot function as planned due to changing regulatory requirements or local opposition. Furthermore, there can be no assurance that existing regulations will not be revised or that new regulations will not be adopted or become applicable to NRG which could have an adverse impact on its operations.

In particular, the independent power market in the United States, Australia and other countries is dependent on the existing regulatory and ownership structure, and while NRG strives to take advantage of the opportunities created by such changes, it is impossible to predict the impact of those changes on NRG's operations. Further, NRG believes that the level of environmental awareness and enforcement is growing in most countries, including most of the countries in which NRG intends to develop and operate new projects. Therefore, based on current trends, NRG believes that the nature and level of environmental regulation to which it is subject will become increasingly stringent. NRG's policy is therefore to operate its projects in accordance with environmental guidelines adopted by the World Bank and applicable local law.

ENERGY REGULATION IN THE UNITED STATES

The enactment of PURPA in 1978 provided incentives for the development of Qualifying Facilities or "QFs", which were basically cogeneration facilities and small power production facilities that utilized certain alternative or renewable fuels. The passage of the Energy Policy Act in 1992 further encouraged independent power production by providing certain exemptions from regulation for EWGs and "foreign utility companies" ("FUCOs").

All of NRG's domestic projects are currently Qualifying Facilities under PURPA, except for Parlin which is an EWG. These QF projects are as follows: Sunnyside, Jackson Valley, Artesia, all of the NRGG Facilities (except for Parlin) and all of the NEO Facilities. QF status conveys two primary benefits. First, regulations under PURPA exempt Qualifying Facilities from PUHCA, most provisions of the Federal Power Act and the state laws concerning rates of electric utilities, and financial and organizational regulations of electric utilities. Second, FERC's regulations under PURPA require that (1) electric utilities purchase electricity generated by QFs at a price based on the purchasing utility's full avoided cost of producing power, (2) the electric utilities must sell back-up, interruptible, maintenance and supplemental power to the QF on a non-discriminatory basis, and (3) the electric utilities must interconnect with any QF in its service territory, and if required transmit power if they do not purchase it.

NRG endeavors to acquire, develop and operate its domestic plants, monitor regulatory compliance by such plants and choose its customers in a manner that minimizes the risk of those plants losing their QF status. However, the occurrence of events outside NRG's control, such as loss of a cogeneration plant's steam customer, could jeopardize QF status. While a plant usually would be able to react in a manner to avoid the loss of QF status by, for example, replacing the steam customer or finding another use for the steam which meets PURPA's requirements, there is no certainty that such action, if possible, would be practicable or economic. In the alternative, NRG could attempt to avoid regulation under PUHCA by qualifying the project as an EWG, as is the case with the NRGG Parlin cogeneration facility. However, this change may not be permitted under the terms of the applicable power purchase agreement, and even if it were, the plant would then be subject to rate approval from the FERC.

While it is unlikely that one of NRG's plants would actually lose its status as a QF and not become an EWG, if that did occur, NRG would in all likelihood have to cease operation of that plant or sell the plant to an unaffiliated third party if NRG could not restore QF status after a reasonable cure period. If it continued to operate, the project subsidiary holding that plant would lose the exemptions outlined above and would become an electric utility or EWG. This could result in NRG inadvertently becoming a "public utility holding company" under PUHCA by owning more than 10% of the voting securities of an electric utility. Loss of QF status on a retroactive basis could also lead to, among other things, fines and penalties being levied against NRG and its project subsidiaries, defaults under the power purchase agreement and resulting claims by the utility customer for the refund of previous payments, and defaults under financing agreements.

Currently, Congress is considering proposed legislation that would amend PURPA by eliminating the requirement that utilities purchase electricity from QFs at prices based on the purchasing utility's avoided cost. NRG does not know whether such legislation will be passed or what form it may take. NRG believes that if any such legislation is passed, it would apply to new projects only and thus, although potentially impacting NRG's ability to develop new domestic QF projects, it would not affect NRG's existing QF projects. There can be no assurance, however, that any legislation passed would not adversely impact NRG's existing domestic projects.

In any case, NRG anticipates that most of its future domestic development activities will focus on the development of EWGs rather than QFs. An EWG is an entity that is exclusively engaged, directly or indirectly, in the business of owning or operating facilities which are exclusively engaged in generating and selling electric energy at wholesale. An EWG will not be regulated under PUHCA, but is subject to FERC and state public utility commission regulatory reviews, including rate approval.

In its future development and acquisition of domestic projects, NRG may also be subject to regulation by the FERC if NRG wheels electricity to purchasers other than the local utility to which the plant is interconnected. Although wheeling arrangements are generally voluntary, the FERC regulates the rates, terms and conditions for electricity transmission in interstate commerce. Currently, none of NRG's projects requires the wheeling of electricity over power lines owned by others.

If it develops or acquires domestic EWGs rather than QF's in the future, NRG may also be subject to some regulation by state public utility commissions ("PUCs"), because EWGs do not enjoy the same statutory and regulatory exemptions from state regulation as was granted to QF's. In fact, however, since EWGs are only allowed to sell power at wholesale, their rates must receive initial approval from the FERC rather than the states. But in areas outside of rate regulation (such as financial or organizational regulation), some state utility laws may give their PUCs broad jurisdiction over non-QF independent power projects that sell power in their service territories, including EWGs. The actual scope of that jurisdiction over

independent power projects varies significantly from state to state, depending on the law of that state. In addition, many states are implementing or considering regulatory initiatives designed to increase competition in the domestic power generating industry and increase access to electric utilities' transmission and distribution systems for independent power producers and electricity consumers. At the same time, electric utility companies themselves are considering a variety of restructuring proposals, including mergers, acquisitions and divestitures of one or more lines of business. NRG believes that the training and experience of many of its employees in the electric utility industry have prepared it to take advantage of these many changes in the industry. However, NRG cannot predict the final form or timing of these changes in the domestic utility industry or the results of these changes on its operations.

ENVIRONMENTAL REGULATIONS -- UNITED STATES

The construction and operation of power projects are subject to extensive environmental protection and land use regulation in the United States. These laws and regulations often require a lengthy and complex process of obtaining licenses, permits and approvals from federal, state and local agencies. If such laws and regulations are changed and NRG's facilities are not grandfathered, extensive modifications to project technologies and facilities could be required.

Based on current trends, NRG expects that environmental and land use regulation will continue to be stringent. Accordingly, NRG plans to continue a strong emphasis on the development and use of "best-available" control technology, as required under the Clean Air Act and Clean Water Act, to minimize the environmental impact of its operations.

All of NRG's domestic facilities perform at levels equal to or better than applicable federal performance standards mandated for such plants under the Clean Air Act. NRG believes that technology currently installed at NRG's projects should uniformly meet or exceed reasonably available control technology (RACT). In addition, all of NRG's current domestic operating plants are by statute generally exempt from or unaffected by the provision of the 1990 amendments to the Clean Air Act (the "1990 Amendments"), which require most power plants to purchase sulphur dioxide allowances. In the future, the plants NRG expects to develop in the United States will continue to rely on "clean (low sulfur) coal," sulphur dioxide removal technology or natural gas technology. Accordingly, NRG believes that the additional costs of obtaining the number of allowances needed for future projects should not materially affect NRG's ability to develop such projects.

The 1990 Amendments also provide an extensive new operating permit program for existing sources. Because all of the existing NRG facilities (with the exception of the NATS facilities) were permitted under the Prevention of Significant Deterioration or other New Source Review program, NRG currently expects that the permitting impact under the 1990 Amendments to be minimal. NATS currently is evaluating whether any of its facilities will require modification. NRG anticipates that the costs of applying for and obtaining operating air permits will not be material. NRG may need to upgrade continuous emission monitoring systems at some plants, however, and permit fees will increase operating expenses.

The hazardous air pollutant provisions of the 1990 Amendments presently exclude electric steam generating facilities, such as NRG's plants. Until studies of the emissions from such facilities are completed and Congress either amends the Clean Air Act further or the EPA promulgates regulations in connection therewith, the nature and extent of federal hazardous air pollutants emissions restrictions which will be applied to NRG's plants and other electric steam generating facilities will remain uncertain.

NRG has received notices of violation and fines totaling approximately $250,000 from the New Jersey Department of Environmental Protection ("NJDEP") in connection with certain technical and record keeping violations under the

Clean Air Act at the former O'Brien Energy facilities in New Jersey. NRG detected and voluntarily disclosed these violations to the NJDEP shortly after NRG's acquisition of its interest in the O'Brien facilities. Because NRG did not receive any economic advantage from these violations and disclosed them promptly and voluntarily, NRG has recently filed administrative proceedings seeking forgiveness of the fines. In addition, NRG believes that the former operator of these facilities is contractually responsible for payment of any fines that are assessed, because the violations occurred during a time when that third-party operator managed the facilities.

Existing NRG facilities are also subject to a variety of state and federal regulations governing existing and potential water/wastewater discharges from the facilities. Generally, federal regulations promulgated through the Clean Water Act govern overall water/wastewater discharges, through NPDES permits. Under current provisions of the Clean Water Act, existing permits must be renewed every five years, at which time permit limits are extensively reviewed and can be modified to account for changes in regulations. In addition, the permits have re-opener clauses which the federal government can use to modify a permit at any time. NRG does not anticipate, however, that any change in permit limits pursuant to these provisions of the Clean Water Act would affect significantly the profitability of NRG's facilities.

Congress is considering whether to re-authorize the Clean Water Act, with reauthorization focusing on toxic discharges, receiving water body biological monitoring requirements, bioassay requirements, additional controls on stormwater runoff, and water quality standards and enforcement provisions. It is uncertain whether the Clean Water Act will become more or less stringent after re-authorization. If the Clean Water Act becomes more stringent, NRG facilities may be required to retrofit existing wastewater treatment facilities for metals removal and to budget for additional monitoring requirements and toxicity reduction evaluations. NRG does not expect the impact of these additional expenses to affect significantly the profitability of the facilities.

There can be no assurance that existing laws and regulations will not be revised or that new regulations will not be adopted or become applicable to NRG which could have an adverse impact on its operations.

ENVIRONMENTAL REGULATIONS -- INTERNATIONAL

Although the type of environmental laws and regulations applicable to independent power producers and developers varies widely from country to country, many foreign countries have laws and regulations relating to the protection of the environment and land use which are similar to those found in the United States. Laws applicable to the construction and operation of electric power generation facilities in foreign countries generally regulate discharges and emissions into water and air, and also regulate noise levels. Air pollution laws in foreign jurisdictions often limit the emissions of particles, dust, smoke, carbon monoxide, sulfur dioxide, nitrogen oxides and other pollutants. Water pollution laws in foreign countries generally limit wastewater discharges into municipal sewer systems and require treatment of wastewater so that it meets established standards. New projects and modifications to existing projects are also subject, in many cases, to land use and zoning restrictions imposed in the foreign country. In addition to the requirements currently imposed by a particular country, certain lenders to international development projects may impose their own requirements relating to the protection of the environment.

NRG believes that the level of environmental awareness and enforcement is growing in most countries, including most of the countries in which NRG intends to develop and operate new projects. Therefore, based on current trends, NRG believes that the nature and level of environmental regulation to which it is subject will become increasingly stringent. NRG's policy is to operate its projects at least in accordance with environmental guidelines adopted by the World Bank and applicable local law.

GERMAN REGULATIONS

Both the Schkopau Power Station and MIBRAG are subject to the energy and environmental laws and regulations of Germany. German environmental laws conform to European Union standards. In addition, MIBRAG is governed by German mining laws and regulations.

ENVIRONMENTAL REGULATIONS

The Schkopau facility is designed to comply with all applicable German laws and regulations, including, without limitation, environmental and land use laws and regulations. The power purchase agreement between Saale Energie and VEAG provides that any future changes in law that may affect the cost of providing the contracted capacity will lead to adjustment of the price.

In the case of existing power generating facilities located in eastern Germany, current German environmental laws and regulations are being phased-in in a manner that provides for a gradual step-up of the environmental standards applicable to such facilities. All east German power generating facilities were required to be in full compliance with German environmental laws and regulations by July 1, 1996. MIBRAG's W|f3hlitz, Mumsdorf and Deuben facilities have been retrofitted and are presently in full compliance with these laws and regulations The power purchase agreement between MIBRAG and WESAG provides that any future changes in the law that may materially affect the cost of generating power will reopen the price.

ENERGY REGULATIONS

The Schkopau facility and all three power generating facilities of MIBRAG are permitted to generate and sell energy to their present customers pursuant to current German energy laws and regulations. Should the Schkopau facility or any of the MIBRAG power generating facilities wish to sell to additional customers, this would require further regulatory approval.

The German government currently is considering substantially amending the German Energy Resources Act of 1936. The bill currently before the German Parliament will not affect the regulatory status of the Schkopau or MIBRAG facilities. However, it is not possible at present to determine whether the bill will be enacted in its current form or whether an amendment, if enacted, would have an adverse effect on the regulatory status of those facilities.

The current German government has dismissed plans to enact an energy related tax or other surcharge. However, certain political factions in Germany and within the European Union continue to press for such a tax or surcharge. There can be no assurance that such a tax or surcharge will not be enacted in the future.

MINING REGULATIONS

MIBRAG owns the mining rights to the Profen and Schleenhain mines and leases mining rights to the Zwenkau mine. MIBRAG currently is operating all three of its mines in compliance with current German mining regulations.

AUSTRALIAN REGULATIONS

The electricity sector in Queensland is regulated primarily under the Electricity Act. The Electricity Act was recently amended to provide for independent generation and the licensing of independent generators by the Regulator General. Pursuant to the Electricity Act, the State Minister for Energy and the Regulator General have the authority to promulgate regulations governing the Queensland electricity industry.

In Victoria, the primary laws providing for the economic regulation of the Victorian electricity industry are the Electricity Industry Act 1993 (Vic) and the Office of the Regulator-General Act 1994 (Vic). The ongoing

regulation of the Victorian electricity industry is the responsibility of the Office of the Regulator-General, an independent regulatory body established under the Office of the Regulator-General Act.

Environmental management in Victoria is primarily governed by the Environment Protection Act 1970 (Vic). The primary control instruments under the EPA are licenses issued by the Environment Protection Authority (the environmental regulatory agency established under the EPA). The EPA was amended in 1990 and now provides for severe penalties for company directors, managers and employees in cases of gross environmental misconduct.

Although discussed in Victoria, it is considered unlikely that a carbon tax will be introduced in the foreseeable future. Even if one is introduced, the tax would have to operate at very high levels before it could significantly affect Loy Yang's competitiveness in the wholesale electricity market.

MANAGEMENT

The name, age and title of each of the directors and executive officers of NRG as of July 1, 1997 are as set forth below.

NAME	AGE	TITLE
David H. Peterson	56	Chairman of the Board, President, Chief Executive Officer and Director
Gary R. Johnson	50	Director
Cynthia L. Lesher	49	Director
Edward J. McIntyre	46	Director
John A. Noer	50	Director
Leonard A. Bluhm	51	Executive Vice President and Chief Financial Officer
James J. Bender	40	Vice President and General Counsel
Valorie A. Knudsen	41	Vice President, Finance
Craig A. Mataczynski	36	Vice President, U.S. Business Development
Robert McClenachan	45	Vice President, International Business Development
Louise T. Routhe	41	Vice President, Human Resources and Administration
Ronald J. Will	57	Vice President, Operations and Engineering
Brian B. Bird	34	Treasurer
David E. Ripka	48	Controller
Michael J. Young	40	Corporate Secretary

David H. Peterson has been Chairman of the Board of NRG since January 1994, Chief Executive Officer since November 1993, President since 1989 and a Director since 1989. Mr. Peterson was also Chief Operating Officer of NRG from June 1992 to November 1993. Prior to joining NRG, Mr. Peterson was Vice President, Non-Regulated Generation for NSP, and he has served in various other management positions with NSP during the last 20 years.

Cynthia L. Lesher has been a Director of NRG since July 1996 and became President of NSP Gas in July 1997. Prior to July 1997, Ms. Lesher was Vice President-Human Resources of NSP since March 1992 after serving as Director of Power Supply-Human Resources since 1991. Ms. Lesher became Area Manager, Electric Utility Operations, in 1990, and previously served as Manager, Metro Credit, and Manager, Occupational Health and Safety. Prior to joining NSP, Ms. Lesher was a training and development consultant at the Center for Continuing Education in Minneapolis. From 1970 to 1977, she held a variety of positions with Multi Resource Centers, Inc., also in Minneapolis.

Gary R. Johnson has been a Director of NRG since February 1993, Corporate Secretary of NSP since April 1994 and Vice President and General Counsel of NSP since October 1991. Prior to October 1991, Mr. Johnson was Vice President-Law of NSP from December 1988, acting Vice President from September 1988 and Director of Law from February 1987.

Edward J. McIntyre has been a Director of NRG since May 1992 and Vice President and Chief Financial Officer of NSP since January 1993. Mr. McIntyre has also been a director of NSP subsidiaries Viking Gas Transmission Company since June 1993, Eloigne Company since August 1993 and First Midwest Auto Park, Inc. since September 1993, and Cenerprise since September 1994, where he served as Chairman from 1994 to 1996. Mr. McIntyre served as President and Chief Executive Officer of NSP-Wisconsin, a wholly owned subsidiary of NSP, from July 1990 to December 1992, and he has served in various other management positions with NSP during the last 20 years.

John A. Noer has been a director of NRG since June 1997 and President and CEO of NSP Wisconsin, a wholly owned subsidiary of NSP, since January 1993. Prior to joining NSP Wisconsin, Mr. Noer was President of Cypress Energy Partners, a wholly-owned project subsidiary of NRG, from March 1992 to January 1993. Prior to joining Cypress Energy Partners, Mr. Noer held various management positions with NSP since joining the company in September 1968.

Leonard A. Bluhm has been Executive Vice President and Chief Financial Officer of NRG since January 1997. Immediately prior to that, he served as the first President and Chief Executive Officer of NRGG, of which he is now Chairman. Mr. Bluhm was Vice President of NRG from January 1993 and Chief Financial Officer May 1993 until assuming his NRGG position. Mr. Bluhm was Chief Financial

Officer of Cypress Energy Partners, a wholly-owned project subsidiary of NRG, from April 1992 to January 1993, prior to which he was Director, International Operations and Manager, Acquisitions and Special Projects of NRG from 1991. Mr. Bluhm previously served for over 20 years in various financial positions with NSP.

James J. Bender has been Vice President and General Counsel of NRG since June 1997. He served as the General Counsel of the Polymers Division of Allied Signal Inc. from May 1996 until June 1997. From June 1994 to May 1996 Mr. Bender was employed at NRG, acting as Senior Counsel until December 1994 and as Assistant General Counsel and Corporate Secretary from December 1994 to May 1996. Prior to joining NRG in 1994, Mr. Bender was a partner at the Minneapolis law firm of Leonard, Street and Deinard from April 1993 to June 1994 and he served as Corporate Counsel for Pfizer Inc. from August 1989 to April 1993.

Valorie A. Knudsen has been Vice President, Finance since April 1996, prior to which she served as Controller since August 1993. Prior to joining NRG, Ms. Knudsen served in various managerial accounting positions from November 1987 to July 1993 with Carlson Companies, Inc., where she was responsible for various types of accounting and reporting.

Craig A. Mataczynski has been Vice President, U.S. Business Development of NRG since December 1994. Mr. Mataczynski served as President of NEO Corporation, NRG's wholly-owned subsidiary that develops small electric generation projects within the United States, from May 1993 to January 1995. Prior to joining NRG, Mr. Mataczynski worked for NSP from 1982 to 1994 in various positions, including Director, Strategy and Development and Director, Power Supply Finance.

Robert McClenachan has been Vice President, International Business Development of NRG since September 1995, prior to which he was Managing Director, Business Development from June 1992 to September 1995. Mr. McClenachan was also President of NRG Australia, a wholly-owned project subsidiary of NRG, from April 1993 to October 1995. Prior to joining NRG, Mr. McClenachan served as Development Director for Bonneville Pacific Corporation, an independent power production company in Salt Lake City, Utah, from January 1991 to December 1991, and he worked from 1983 to 1991 in various positions for Central Vermont Public Service Corporation, including Vice President, Corporate Development.

Louise T. Routhe has been Vice President, Human Resources and Administration of NRG since June 1992, prior to which she served as Human Resources Director from January 1992. Prior to joining NRG, Ms. Routhe was self-employed as a Human Resources and Management Consultant from December 1990 to January 1992 and worked as Vice President, Human Resources with First Trust Company, a wholly-owned subsidiary of First Bank System, Inc., from 1987 to 1990. Ms Routhe held various other Human Resources management positions at First Bank System from 1979 to 1987.

Ronald J. Will has been Vice President, Operations and Engineering of NRG since March 1994, prior to which he served as Vice President, Operations from June 1992. Prior to joining NRG, he served as President and Chief Executive Officer of NRG Thermal, a wholly-owned subsidiary of NRG that provides customers with thermal services, from February 1991 to June 1993. Prior to February 1991, Mr. Will served in a variety of positions with Norenco, a wholly-owned thermal services subsidiary of NRG, including Vice President and General Manager from August 1989 to February 1991.

Brian B. Bird has been Treasurer of NRG since June 1997, prior to which he was Director of Corporate Finance for Deluxe Corporation in Shoreview, Minnesota from September 1994 to May 1997. Mr. Bird was Manager of Finance for the Minnesota Vikings Professional Football Team from March 1993 to September 1994. Mr. Bird held several financial management positions with Northwest Airlines in Minneapolis, Minnesota from 1988 to March 1993.

David E. Ripka has been Controller of NRG since March 3, 1997. Prior to joining NRG, Mr. Ripka held a variety of positions with NSP for over 20 years, including Assistant Controller and General Manager of Accounting Operations and Director of Audit Services.

Michael J. Young has been Corporate Secretary of NRG since June 1996, and also holds the position of Senior Counsel. Prior to joining NRG in May of 1995, Mr. Young was an attorney at Cargill, Incorporated for five years, and an associate at Lindquist & Vennum for three years.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Compensation. The following table sets forth the compensation paid or awarded to David H. Peterson, Chairman, President and Chief Executive Officer of NRG, and the other four most highly compensated executive officers of NRG during the last fiscal year (collectively, the "Named Executives") for services rendered in all capacities for the last fiscal year.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION				
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION (1) ($)	SECURITIES UNDERLYING OPTIONS (#)	ALL OTHER COMPENSATION (2) ($)
David H. Peterson Chairman, President & Chief Executive Officer	1996	250,000	81,000			3,637
Leonard A. Bluhm (3) Executive Vice President & CFO	1996	152,333	53,630		105,000(4)	2,712
Robert McClenachan Vice President, International Business Development	1996	150,000	36,201	37,410		2,712
Ronald J. Will Vice President, Operations & Engineering	1996	147,000	38,667			2,712
Craig A. Mataczynski Vice President, U.S. Business Development	1996	145,000	40,343			2,712

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(1) The amount shown in this column for Mr. McClenachan includes a relocation and foreign assignment premium bonus ($19,616) and the value of the personal use of a company-provided automobile ($7,986).

(2) This column consists of the amounts contributed by NRG to the NSP Retirement Savings Plan ($900) and the Employee Stock Ownership Plan ($1,812.89) for each Named Executive. The column also reflects the value to Mr. Peterson of the remainder of insurance premiums paid under the NSP Officer Survivor Benefit Plan by NRG ($925).

(3) Mr. Bluhm's salary and bonus include amounts paid for his service with NRGG.

(4) These options relate to NRGG common stock. See "Option Grants in Last Fiscal Year."

The following table sets forth information concerning the exercise of stock options and stock appreciation rights during fiscal 1996 by each of the Named Executives and the fiscal year-end value of unexercised options. Prior to the existence of the NRG Equity Plan, NRG executives participated in the NSP Executive Stock Option program. The following table reflects the Named Executive's participation in the NSP Executive Stock Option Program.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR, AND FY-END OPTION/SAR VALUE (1)

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FY-END (#) EXERCISABLE/ UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FY-END ($)(2) EXERCISABLE/ UNEXERCISABLE
David H. Peterson .	8,415/0	44,213/0
Leonard A. Bluhm ..	2,840/0	18,117/0
	0/105,000(3)	0/610,313(3)
Robert McClenachan	859/0	2,048/0
Ronald J. Will	2,723/0	17,839/0

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(1) These options to acquire NSP Stock were granted to the Named Executives for services rendered to NRG and its subsidiaries.

(2) NSP's share price on December 31, 1996 was $45.875.

(3) These options relate to NRGG common stock. The options were granted at an exercise price of $5.4375. The price per share of NRGG common stock on December 31, 1996 was $11.25. 75,000 of these options were cancelled in January, 1997. See "Option Grants in Last Fiscal Year."

OPTION GRANTS IN LAST FISCAL YEAR (1)

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE ($/SH)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM 5% ($)(3)	10% ($)(3)
Leonard A. Bluhm.....	105,000(2)	26	5.4375	10/21/2006	359,100	909,930

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(1) These options relate to NRGG common stock. Options were granted to Mr. Bluhm under the NRG Generating (U.S.) Inc. 1996 Stock Option Plan. The options vest one-third annually on each of the first, second and third anniversaries of grant.

(2) By agreement with NRGG, options to acquire 75,000 of these shares were withdrawn in January, 1997.

(3) Amounts set forth in these columns reflect rates of appreciation required by Securities and Exchange Commission rules and are not intended to predict the future value of NRGG common stock.

PENSION PLAN TABLE

The following table illustrates the approximate retirement benefits payable to employees retiring at the normal retirement age of 65 years:

AVERAGE COMPENSATION (4 YEARS)	ESTIMATED ANNUAL BENEFITS FOR YEARS OF SERVICE INDICATED — YEARS OF SERVICE 5	10	15	20	25	30
$50,000	$ 3,500	$ 7,000	$ 10,500	$ 14,000	$ 18,000	$ 21,500
100,000	7,500	15,500	23,000	30,500	38,000	46,000
150,000	11,500	23,500	35,000	47,000	58,500	70,500
200,000	16,000	31,500	47,500	63,000	79,000	95,000
250,000	20,000	40,000	59,500	79,500	99,500	119,500
300,000	24,000	48,000	72,000	96,000	120,000	144,000
350,000	28,000	56,000	84,000	112,500	140,500	168,500
400,000	32,000	64,500	96,500	128,500	160,500	193,000
450,000	36,000	72,500	108,500	145,000	181,000	217,500

wage base: $62,700

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After an employee has reached 30 years of service, no additional years are used in determining pension benefits. The annual compensation used to calculate the average compensation shown in this table is based on the participant's base salary for the year (as shown on the Summary Compensation Table) and bonus compensation paid in that same year (as shown on the Summary Compensation Table). The benefit amounts shown are amounts computed in the form of a straight-life annuity. The amounts are not subject to offset for social security or otherwise.

As of June 30, 1997, each of the Named Executives had the following credited service: Mr. Peterson, 33.42 years, Mr. Bluhm, 26 years, Mr. McClenachan, 5 years, Mr. Will, 37.17 years, Mr. Mataczynski, 15 years.

LONG-TERM INCENTIVE PLAN COMPENSATION

The following table sets forth information concerning awards during fiscal 1996 to each of the Named Executives under the NRG Equity Plan.

LONG-TERM INCENTIVE PLAN AWARDS IN LAST FISCAL YEAR(1)

NAME	NUMBER OF SHARES, UNITS OR OTHER RIGHTS (#)	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAYOUT(2)
David H. Peterson ...	5,500(3)	7 years
	18,200(4)	7 years
Leonard A. Bluhm	1,300(3)	7 years
	1,700(4)	7 years
Robert McClenachan ..	3,400(3)	7 years
	4,500(4)	7 years
Ronald J. Will.....	3,600(3)	7 years
	4,800(4)	7 years
Craig A. Mataczynski.....	3,800(3)	7 years
	5,000(4)	7 years

(1) Participants in the NRG Equity Plan are granted Equity Units, each of which is assigned a "Grant Price" at the discretion of the Chief Executive Officer and the Compensation Committee of the Board. Equity Units are valued upon vesting under a formula which takes into account the Company's cash flow, revenue growth, total debt and equity investment, among others. The amount of payment (if any) with respect to an Equity Unit is determined by the extent to which the value of the Equity Unit exceeds the Grant Price.

(2) Equity Units vest annually in 20% increments, beginning on the third anniversary of the grant date of the Equity Unit. Participants are paid the value (if any) of Equity Units as soon as practicable following the end of year in which the Equity Unit vests.

(3) These Equity Units which were granted at a Grant Price equal to the valuation of the Equity Unit on the date of grant. Such Equity Units will have value to the holders upon any increase in the valuation of the Equity Unit.

(4) These Equity Units which were granted at a premium Grant Price (greater than the valuation of the Equity Unit on the date of grant). Such Equity Units will only have value to the holder after the valuation of the Equity Unit reaches the premium Grant Price.

Compensation of Directors.

Directors receive no compensation for service as directors.

Employment Contracts.

NRG has entered into an employment agreement with Mr. Peterson providing that Mr. Peterson will be employed as the highest level executive officer of NRG. The term of the agreement expires June 27, 2000. During the term of the agreement, Mr. Peterson's base salary will be reviewed at least annually by the Compensation Committee of the Board for possible increase. The agreement provides that Mr. Peterson will receive retirement and welfare benefits no less favorable than those provided to any other officer of NRG. In addition, the employment agreement provides for participation in a supplemental executive retirement plan such that the aggregate value of the retirement benefits that Mr. Peterson and his spouse will receive at the end of the term of the agreement under all the defined benefit pension plans of NRG and its affiliates will not be less than the aggregate value of the benefits he would have received had he continued, through the end of the term of the agreement, to participate in the NSP Deferred Compensation Plan, the NSP Excess Benefit Plan and the NSP Pension Plan, including amounts to compensate Mr. Peterson for the monthly defined benefit payments he would have received during the term of the employment agreement and prior to the date of his termination of employment if monthly benefit payments had commenced following the month in

which he first became eligible for early retirement under the NSP Pension Plan. The employment agreement also provides for certain additional

benefits to be paid upon Mr. Peterson's death. If Mr. Peterson's employment is terminated by the company without Cause or by Mr. Peterson with Good Reason (in each case as defined in the employment agreement), Mr. Peterson will continue to receive his salary, bonus (at greater of target bonus and actual bonus for the last plan year prior to termination), incentive compensation (with cash replacing equity based awards) and benefits under the agreement as if he had remained employed until the end of the term of the employment agreement and then retired (at which time he will be treated as eligible for retiree welfare benefits and other benefits provided to the retired senior executives).

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The compensation committee is comprised of Ms. Lesher and Mr. McIntyre. There are no compensation committee interlocks and no insider participation.

OWNERSHIP OF CAPITAL STOCK

Northern States Power Company, 414 Nicollet Mall, Minneapolis, Minnesota 55401, owns all of the outstanding capital stock of NRG.

CERTAIN TRANSACTIONS

The transactions described or referred to below were entered into between related parties prior to the offering of the Senior Notes and were not the result of arms-length negotiations. Accordingly, the terms of these transactions may be more or less favorable to NRG than if they had been entered into on an arms-length basis.

As NRG's sole stockholder, NSP has the power to control the election of the directors and all other matters submitted for stockholder approval and may be deemed to have control over the management and affairs of NRG. Currently, there are no outside directors on NRG's board of directors. In circumstances involving a conflict of interest between NSP, as the sole stockholder and a significant customer of and supplier to NRG, and the holders of the Senior Notes as creditors of NRG, there can be no assurance that NSP would not exercise its power to control NRG in a manner that would benefit NSP to the detriment of the holders of the Senior Notes. NSP has policies in place, pursuant to applicable law, to ensure that its ratepayers are protected from affiliate transactions that may be adverse to the ratepayers' interests. The Indenture imposes no limitations on NRG's ability to pay dividends or to make other payments to NSP or on NRG's ability to enter into transactions with NSP or other affiliates of NRG.

OPERATING AGREEMENTS

NRG has two agreements with NSP for the purchase of thermal energy. Under the terms of the agreements, NSP charges NRG for certain incremental costs (fuel, labor, plant maintenance and auxiliary power) incurred by NSP to produce the thermal energy. NRG paid NSP $6 million in 1996, $3.7 million in 1995 and $6.6 million in 1994 under these agreements; NRG has paid $1.2 million under them in the first three months of 1997.

NRG has a renewable 10-year agreement with NSP, expiring on December 31, 2001, whereby NSP agrees to purchase RDF for use in certain of its boilers and NRG agrees to pay NSP an incentive fee to use RDF. Under this agreement, NRG received $1.9 million and $1.7 million from NSP and paid $2.3 million and $2.2 million to NSP in 1995 and 1994, respectively. In 1996, NRG received $1.5 million and paid $2.2 million. In the first quarter of 1997, NRG

received $0.6 million and paid $0.5 million.

As of January 1, 1996, NRG entered into an operation and maintenance agreement with NSP with respect to the Elk River Facilities, under which NRG receives a base management fee and is reimbursed for costs it has incurred. The operation and maintenance agreement also provides for a management incentive fee payable to NRG, based upon the financial performance of the Elk River Facilities. In 1996 NRG earned a total management fee of $1.5 million, in addition to reimbursed expenses. Management fees for the three months ended March 31, 1997, totalled $266,000 compared to $320,000 for the same period in 1996.

ADMINISTRATIVE SERVICES AGREEMENT

NRG and NSP have entered into an agreement to provide for the reimbursement of actual administrative services provided to each other, an allocation of NSP administrative costs and a working capital fee. Services provided by NSP to NRG are principally for cash management, accounting, employee relations and engineering. In addition, NRG employees participate in certain employee benefit plans of NSP. Also, in 1993 NSP employees assisted in operating certain NRG facilities for which NRG reimbursed NSP for gross wages plus an amount to cover employee benefits. During 1995 and 1994, NRG paid NSP $6.8 million and $6.2 million, respectively, as reimbursement for the cost of services provided. In 1996, NRG paid $7.2 million and in the first quarter of 1997, NRG paid $1.9 million for these services.

TAX SHARING AGREEMENT

NRG is included in the consolidated federal income tax and state franchise tax returns of NSP. NRG calculates its tax position on a separate company basis under a tax sharing agreement with NSP and receives payment from NSP for tax benefits and pays NSP for tax liabilities.

LONG-TERM DEBT

The construction cost of the Newport facility was financed through tax exempt variable rate resource recovery revenue bonds issued by the Counties, which have subsequently been converted to fixed rate resource recovery revenue bonds with an effective interest rate of 6.57% per annum and annual maturities each December through 2006. The proceeds of such bond issuance were loaned by the counties to NSP, which agreed under a loan agreement to pay to the counties amounts sufficient to pay debt service on the bonds. NRG issued a separate note to NSP in an original principal amount of approximately $10 million as part of the consideration for the purchase of the facility from NSP.

CERTAIN INDEBTEDNESS

NRG has funded investments and intends to fund future investments from certain outside sources, including those described below.

1996 SENIOR NOTES

On January 29, 1996, NRG issued the 1996 Senior Notes in a transaction exempt from registration under the Securities Act. The 1996 Senior Notes were issued to fund some or all of NRG's equity investments in Schkopau and Latin Power, to pay a portion of the consideration for NRG's acquisition of interests in Collinsville and in O'Brien (for reorganization as NRGG), to make equity investments in Kladno and West Java, and for general corporate purposes, including investments in new projects. The 1996 Senior Notes are senior unsecured obligations of NRG and rank pari passu with all other senior unsecured indebtedness of NRG, including the Senior Notes in this Offering. The 1996 Senior Notes were assigned ratings of BBB-by S&P's Rating Group and Baa3 by Moody's. Redemption of the 1996 Senior Notes is not permitted prior

to February 1, 2001. However, upon a change of control of NRG, each holder of the 1996 Senior Notes will have the right to require NRG to repurchase such holder's 1996 Senior Notes. Pursuant to the Indenture (the "1996 Indenture") under which the 1996 Senior Notes were issued, NRG is restricted from creating liens on its assets, is prohibited from merging except under certain circumstances and must maintain a specified minimum net worth. Failure to comply with these restrictive covenants could result in an event of default under the Indenture. Other events of default include nonpayment of principal or interest, certain cross-defaults, judgment decrees aggregating over $20 million and certain events of bankruptcy.

REVOLVER

NRG has entered into a $175 million revolving credit facility with a syndicate of banks led by ABN AMRO, which matures on March 17, 2000. Proceeds from the facility will be used for general corporate purposes, including letters of credit and interim funding for NRG project investments.

MASTER SHELF AGREEMENT

NRG Energy Center expects to enter into a master shelf agreement during August 1997, pursuant to which NRG Energy Center may issue $30 million in term notes with maturities no later than June 2017. The master shelf revolving credit facility could also provide for up to $5 million of short-term borrowings. The facility is expected to be recourse only to NRG Energy Center and is intended to provide financing for MEC.

DESCRIPTION OF NOTES

GENERAL

The Old Notes were issued, and the New Notes will be issued, under an Indenture, dated as of June 1, 1997 (the "Indenture"), between NRG and Norwest Bank Minnesota, National Association, as trustee (the "Trustee"). The following summaries of certain provisions of the Notes and the Indenture do not purport to be complete and are subject, and qualified in their entirety by reference, to all of the provisions of the Notes and the Indenture, including the definitions of certain terms therein. The definitions of certain capitalized terms used in the following summary are set forth below under " -- Certain Definitions." As used in this section, unless otherwise indicated, "NRG" refers solely to NRG Energy, Inc. and does not include any of its subsidiaries or affiliates.

The Notes are senior unsecured obligations of NRG, which conducts substantially all of its business through numerous subsidiaries and affiliates. As a result, all existing and future liabilities of the direct and indirect subsidiaries and affiliates of NRG will be effectively senior to the Notes. The Notes will not be guaranteed by, or otherwise be obligations of, NRG's project subsidiaries and project affiliates, NRG's other direct and indirect subsidiaries and affiliates or NSP.

PRINCIPAL, MATURITY AND INTEREST

The Notes are limited in aggregate principal amount to $250,000,000 and will mature on June 15, 2007. Interest is payable on the Notes semiannually on June 15 and December 15 of each year, commencing December 15, 1997, until the principal is paid or made available for payment. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Payment of principal of the Notes will be made against surrender of such Notes at the office or agency of the Trustee in the Borough of Manhattan, The City of New York. Payment of interest on the Notes will be made to the person in whose name such Notes are registered at the close of business on the June 1 or December 1 immediately preceding the relevant interest payment date. For

so long as the Notes are issued in book-entry form, payments of principal and interest shall be made in immediately available funds by wire transfer to DTC or its nominee. If the Notes are issued in certificated form to a Holder (as defined below) other than DTC, payments of principal and interest shall be made by check mailed to such Holder at such Holder's registered address or, upon written application by a Holder of $1,000,000 or more in aggregate principal amount of Notes to the Trustee in accordance with the terms of the Indenture, by wire transfer of immediately available funds to an account maintained by such Holder with a bank. Defaulted interest will be paid in the same manner to Holders as of a special record date established in accordance with the Indenture.

All amounts paid by NRG to the Trustee for the payment of principal of, premium, if any, or interest on any Notes that remain unclaimed at the end of two years after such payment has become due and payable will be repaid to NRG and the Holders of such Notes will thereafter look only to NRG for payment thereof.

OPTIONAL REDEMPTION

NRG at its option, at any time, may redeem the Notes, in whole or in part (if in part, by lot or by such other method as the Trustee shall deem fair or appropriate) at the redemption price of 100% of principal amount of such Notes, plus accrued interest on the principal amount of such Notes, if any, to the redemption date, plus the applicable Make-Whole Premium.

To determine the applicable Make-Whole Premium for any Note, an independent investment banking institution of national standing selected by NRG (the "Investment Banker") will compute, as of the third Business Day prior to the redemption date, the sum of the present values of all of the remaining scheduled payments of principal and interest from the redemption date to maturity on such Note

computed on a semiannual basis by discounting such payments (assuming a 360-day year consisting of twelve 30-day months) using a rate equal to the Treasury Rate plus 25 basis points. If the sum of these present values of the remaining payments as computed above exceeds the aggregate unpaid principal amount of the Note to be redeemed plus any accrued but unpaid interest thereon, the difference will be payable as a premium upon redemption of such Note. If the sum is equal to or less than such principal amount plus accrued interest, there will be no premium payable with respect to such Note.

CERTAIN COVENANTS

RESTRICTIONS ON LIENS

So long as any of the Notes are outstanding, NRG has agreed not to pledge, mortgage, hypothecate or permit to exist any mortgage, pledge or other lien upon any property at any time directly owned by NRG to secure any indebtedness for money borrowed which is incurred, issued, assumed or guaranteed by NRG ("Indebtedness"), without making effective provisions whereby the Notes shall be equally and ratably secured with any and all such Indebtedness and with any other Indebtedness similarly entitled to be equally and ratably secured; provided, however, that this restriction shall not apply to or prevent the creation or existence of: (i) liens existing at the original date of issuance of the Notes; (ii) purchase money liens which do not exceed the cost or value of the purchased property; (iii) other liens not to exceed 10% of Consolidated Net Tangible Assets and (iv) liens granted in connection with extending, renewing, replacing or refinancing in whole or in part the Indebtedness (including, without limitation, increasing the principal amount of such Indebtedness) secured by liens described in the foregoing clauses (i) through (iii).

In the event that NRG shall propose to pledge, mortgage or hypothecate any property at any time directly owned by it to secure any Indebtedness, other than as permitted by clauses (i) through (iv) of the previous paragraph, NRG

has agreed to give prior written notice thereof to the Trustee, who shall give notice to the Holders, and NRG has agreed, prior to or simultaneously with such pledge, mortgage or hypothecation, effectively to secure all the Notes equally and ratably with such Indebtedness.

The foregoing covenant does not restrict the ability of NRG's subsidiaries and affiliates to pledge, mortgage, hypothecate or permit to exist any mortgage, pledge or lien upon their assets, in connection with project financings or otherwise.

CONSOLIDATION, MERGER, SALE OF ASSETS

Without the consent of any Holder, NRG may consolidate with or merge into any other person, or convey, transfer or lease its properties and assets substantially as an entirety to any person, or permit any person to merge into or consolidate with NRG, if (i) NRG is the surviving or continuing corporation or the surviving or continuing corporation or purchaser or lessee is a corporation incorporated under the laws of the United States of America or Canada and assumes NRG's obligations under the Notes and under the Indenture and (ii) immediately before and after such transaction, no Event of Default (as defined herein) shall have occurred and be continuing.

Except for a sale of the assets of NRG substantially as an entirety as provided above, and other than assets required to be sold to conform with governmental regulations, the Indenture provides that NRG may not sell or otherwise dispose of any assets (other than short-term, readily marketable investments purchased for cash management purposes with funds not representing the proceeds of other asset sales) if on a pro forma basis, the aggregate net book value of all such sales during the most recent 12-month period would exceed 10% of Consolidated Net Tangible Assets computed as of the end of the most recent quarter preceding such sale; provided, however, that any such sales shall be disregarded for purposes of this 10% limitation if the proceeds are invested in assets in similar or related lines of business of NRG and, provided further, that NRG may sell or otherwise dispose of assets in excess of such 10% if the proceeds from such sales or dispositions, which are not reinvested as provided above, are retained by NRG as cash or cash equivalents or are used to purchase and retire Notes or 1996 Notes.

CHANGE OF CONTROL

Upon a Change of Control, each Holder shall have the right to require that NRG repurchase such Holder's Notes at a repurchase price in cash equal to 101% of the principal amount thereof plus accrued interest, if any, to the date of repurchase. A Change of Control shall not be deemed to have occurred if, after giving effect thereto, the Notes are rated BBB-or better by Standard & Poor's Ratings Group and Baa3 or better by Moody's Investors Service, Inc.

The Change of Control provisions may not be waived by the Trustee or the Board of Directors, and any modification thereof must be approved by each Holder. Nevertheless, the Change of Control provisions will not only afford protection to holders of Notes, including protection against an adverse effect on the value of the Notes, in the event that NRG or its subsidiaries and affiliates incur additional Indebtedness, whether through recapitalizations or otherwise. Moreover, no assurance can be given that NRG would have sufficient liquidity to effectuate any required repurchase of Notes upon a Change of Control.

Within 30 days following any Change of Control, NRG will be required to mail a notice to each Holder (with a copy to the Trustee) stating (1) that a Change of Control has occurred and that such Holder has the right to require NRG to repurchase such Holder's Notes at a repurchase price in cash equal to 101% of the principal amount thereof plus accrued interest, if any, to the date of repurchase (the "Change of Control Offer"); (2) the circumstances and relevant facts regarding such Change of Control (including information with

respect to pro forma historical income, cash flow and capitalization after giving effect to such Change of Control); (3) the repurchase date (which shall be a Business Day and be not earlier than 30 days or later than 60 days from the date such notice is mailed (the "Repurchase Date"); (4) that interest on any Senior Note tendered will continue to accrue; (5) that interest on any Senior Note accepted for payment pursuant to the Change of Control Offer shall cease to accrue after the Repurchase Date; (6) that Holders electing to have a Senior Note purchased pursuant to a Change of Control Offer will be required to surrender the Senior Note, with the form entitled "Option to Elect Purchase" on the reverse of the Senior Note completed, to the Trustee at the address specified in the notice prior to the close of business on the Repurchase Date; (7) that Holders will be entitled to withdraw their election if the Trustee receives, not later than the close of business on the third Business Day (or such shorter periods as may be required by applicable law) preceding the Repurchase Date, a telegram, telex, facsimile or letter setting forth the name of the Holder, the principal amount of Notes the Holder delivered for purchase and a statement that such Holder is withdrawing its election to have such Notes purchased; and (8) that Holders that elect to have their Notes purchased only in part will be issued new Notes in a principal amount equal to the unpurchased portion of the Notes surrendered.

For so long as the Notes are in global form, upon a Change of Control NRG will be required to deliver to DTC, for re-transmittal to its participants, a notice substantially to the effect specified in clauses (1) through (5) and (7) of the previous paragraph. Such notice shall also specify the required procedures for holders of interests in the Global Notes to tender the Notes (including the DTC Repayment Option Procedures to the extent applicable).

On the Repurchase Date, NRG shall (i) accept for payment such surrendered Notes or portions thereof tendered pursuant to the Change of Control and (ii) deposit with the Trustee money sufficient to pay the purchase price of all Notes or portions thereof so tendered. NRG will publicly announce the result of the Change of Control Offer as soon as practicable after the Repurchase Date.

NRG has agreed to comply with all applicable tender offer rules, including, without limitation, Rule 14e-1 under the Exchange Act in connection with a Change of Control Offer.

REPORTING OBLIGATIONS

NRG has agreed to furnish or cause to be furnished to Holders (and, at the request thereof, beneficial holders of Notes) annual consolidated financial statements of NRG prepared in accordance with GAAP (together with notes thereto, a report thereon by an independent accountant of established national reputation and a management's discussion and analysis of financial condition and results of operations). In addition, NRG will furnish or cause to be furnished to Holders (and, at the request thereof,

beneficial holders of Notes) unaudited condensed consolidated comparative balance sheets and statements of income and cash flows of NRG for each of the first three fiscal quarters of each fiscal year and the corresponding quarter of the prior year, such statements to be furnished within 90 days after the end of the fiscal quarter covered thereby.

CERTAIN DEFINITIONS

"Business Day" means a day which is neither a legal holiday or a day on which banking institutions (including, without limitation, the Federal Reserve System) are authorized or required by law or regulation to close in The City of New York or Minneapolis, Minnesota.

"Change of Control" means the occurrence of one or more of the following events: (a) NSP (or its successors) ceases to own a majority of NRG's outstanding voting stock, (b) at any time following the occurrence of the

event described in clause (a) above, a person or group of persons (other than NSP) becomes the beneficial owner, directly or indirectly, or has the absolute power to direct the vote of more than 35% of NRG's voting stock or (c) during any one year period, individuals who at the beginning of such period constitute NRG's Board of Directors cease to be a majority of the Board of Directors (unless approved by a majority of the current directors then in office who were either directors at the beginning of such period or who were previously so approved). A Change of Control shall be deemed not to have occurred if, following such an event described above, the Notes are rated BBB-or better by Standard & Poor's Ratings Group and Baa3 or better by Moody's Investors Service, Inc.

"Consolidated Net Tangible Assets" means, as of the date of any determination thereof, the total amount of all assets of NRG determined on a consolidated basis in accordance with GAAP as of such date less the sum of (a) the consolidated current liabilities of NRG determined in accordance with GAAP and (b) assets properly classified as Intangible Assets.

"Holder" means a registered holder of a Senior Note.

"Intangible Assets" means, as of the date of any determination thereof, with respect to any person, all assets properly classified as intangible assets in accordance with GAAP.

"Treasury Rate" means, with respect to each Note to be redeemed, a per annum rate (expressed as a semiannual equivalent and as a decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield) determined by the Investment Banker to be the per annum rate equal to the semiannual yield to maturity of United States Treasury securities maturing on the Average Life Date (as defined below) of such Note, as determined by interpolation between the most recent weekly average yields to maturity for two series of Treasury securities, (A) one maturing as close as possible to, but earlier than, the Average Life Date of such Note and (B) the other maturing as close as possible to, but later than, the Average Life Date of such Note, in each case as published in the most recent H.15(519) (or, if a weekly average yield to maturity for United States Treasury securities maturing on the Average Life Date of such Note is reported in the most recent H.15(519), as published in H.15(519)). "H.15(519)" means "Statistical Release H.15(519), Selected Interest Rates," or any successor publication, published by the Board of Governors of the Federal Reserve System. The "most recent H.15(519)" means the latest H.15(519) which is published prior to the close of business on the third Business Day prior to the applicable redemption date. The "Average Life Date" for any Note to be redeemed shall be the date which follows the redemption date by a period equal to the Remaining Weighted Average Life of such Note. The "Remaining Weighted Average Life" of such Note with respect to the redemption of such Note is the number of days equal to the quotient obtained by dividing (A) the sum of the products obtained by multiplying (1) the amount of each remaining principal payment on such Note by (2) the number of days from and including the redemption date, to but excluding the scheduled payment date of such principal payment by (B) the unpaid principal amount of such Note.

EVENTS OF DEFAULT

The following constitute Events of Default under the Notes:

(a) failure to pay any interest on any Senior Note when due, which failure continues for 30 days;

(b) failure to pay principal or premium (including in connection with a Change of Control) when due;

(c) failure of NRG to perform any other covenant in the Notes or the Indenture for a period of 30 days after written notice to NRG by the Trustee or by the Holders of at least 25% in aggregate principal amount of the Notes;

(d) an event of default occurring under any instrument of NRG under which there may be issued, or by which there may be secured or evidenced, any indebtedness for money borrowed that has resulted in the acceleration of such indebtedness, or any default occurring in payment of any such indebtedness at final maturity (and after the expiration of any applicable grace periods), other than (i) indebtedness which is payable solely out of the property or assets of a partnership, joint venture or similar entity of which NRG or any of its subsidiaries or affiliates is a participant, or which is secured by a lien on the property or assets owned or held by such entity, without further recourse to NRG or (ii) such indebtedness of NRG not exceeding $20,000,000;

(e) one or more final judgments, decrees or orders of any court, tribunal, arbitrator, administrative or other governmental body or similar entity for the payment of money aggregating more than $20,000,000 shall be rendered against NRG (excluding the amount thereof covered by insurance) and shall remain undischarged, unvacated and unstayed for more than 90 days, except while being contested in good faith by appropriate proceedings; and

(f) certain events of bankruptcy, insolvency or reorganization in respect of NRG.

The Indenture provides that if an Event of Default (other than an Event of Default based on an event of bankruptcy, insolvency or reorganization of NRG) shall occur and be continuing, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Notes may, by written notice to NRG (and to the Trustee if given by Holders), declare the principal of all Notes to be immediately due and payable, but upon certain conditions such declaration may be annulled and past defaults (except, unless theretofore cured, a default in payment of principal, premium or interest) may be waived by the Holders of a majority in aggregate principal amount of Notes then outstanding. If an Event of Default due to the bankruptcy, insolvency or reorganization of NRG occurs, all unpaid principal, premium, if any, and interest in respect of the Notes will automatically become due and payable. Pursuant to the Indenture NRG is required to provide an annual statement of compliance with the terms of the Indenture.

The Holders of a majority in principal amount of the Notes then outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee under the Indenture, subject to certain limitations specified in the Indenture, provided that the Holders shall have offered to the Trustee reasonable indemnity against expenses and liabilities.

MODIFICATION OF THE INDENTURE

The Indenture contains provisions permitting NRG and the Trustee, with the consent of the Holders of not less than a majority in principal amount of the Notes then outstanding, to modify the Indenture or the rights of the Holders, except that no such modification may, without the consent of each Holder, (i) extend the final maturity of any of the Notes or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable on redemption thereof, or impair or affect the right of any Holder to institute suit for the payment thereof or make any change in the covenant regarding a Change of Control or (ii) reduce the percentage of Notes, the consent of the Holders of which is required for any such modification.

NRG and the Trustee without the consent of any Holder may amend the Indenture and the Notes for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision thereof, or in any manner which NRG and the Trustee may determine is not inconsistent with the Notes and will not adversely affect the interest of any Holder.

DEFEASANCE AND COVENANT DEFEASANCE

DEFEASANCE

The Indenture provides that NRG will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes, on the 123rd day after the deposit referred to below has been made, and the provisions of the Indenture will cease to be applicable with respect to the Notes (except for, among other matters, certain obligations to register the transfer of or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold funds for payment in trust) if (A) NRG has deposited with the Trustee, in trust, money and/or U.S. Government Obligations (as defined in the Indenture) that, through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes, at the time such payments are due in accordance with the terms of the Indenture, (B) NRG has delivered to the Trustee (i) an opinion of counsel to the effect that Holders will not recognize income, gain or loss for federal income tax purposes as a result of NRG's exercise of its option under the defeasance provisions of the Indenture and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred, which opinion of counsel must be based upon a ruling of the Internal Revenue Service to the same effect or a change in applicable federal income tax law or related treasury regulations after the date of the Indenture and (ii) an opinion of counsel to the effect that the defeasance trust does not constitute an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the U.S. Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law, (C) immediately after giving effect to such deposit, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 123rd day after the date of such deposit, and such deposit shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which NRG is a party or by which NRG is bound and (D) if at such time the Notes are listed on a national securities exchange, NRG has delivered to the Trustee an opinion of counsel to the effect that the Notes will not be delisted as a result of such deposit and discharge.

DEFEASANCE OF CERTAIN COVENANTS AND CERTAIN EVENTS OF DEFAULT

The Indenture further provides that the provisions of the Indenture will cease to be applicable with respect to (i) the covenants described under "Certain Covenants -- Restrictions on Liens" and "Change of Control" and (ii) clause (c) under "Events of Default" with respect to such covenants and clauses (d) and (e) under "--Events of Default" upon the deposit with the Trustee, in trust, of money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes, the satisfaction of the conditions described in clauses (B)(ii), (C) and (D) of the preceding paragraph and the delivery by NRG to the Trustee of an opinion of counsel to the effect that, among other things, the Holders of the Notes will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

DEFEASANCE AND CERTAIN OTHER EVENTS OF DEFAULT

If NRG exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the

Trustee will be sufficient to pay amounts due on the Notes at the time of their stated maturity, but may not be sufficient to pay amounts due on the Notes at the time of acceleration resulting from such Event of Default. NRG shall remain liable for such payments.

FORM, DENOMINATION, BOOK-ENTRY PROCEDURES AND TRANSFER

The Old Notes were initially represented by two Notes in registered, global form (collectively, the "Old Global Notes"). The Old Global Notes were deposited upon issuance with the Trustee as custodian for DTC and registered in the name of Cede & Co., DTC's nominee, for credit to any account of a direct or indirect participant in DTC as described below.

Except as set forth below, the Global Notes may be transferred, in whole or in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Senior Notes in certificated forms except in the limited circumstances described under "--Exchange of Book-Entry Notes for Certificated Notes" below.

DEPOSITARY PROCEDURES

DTC has advised NRG that DTC is a limited-purpose trust company created to hold securities for its Participants and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of the Participants. The Participants include securities brokers and dealers (including the Initial Purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interest and transfer of ownership interest of each actual purchase of each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised NRG that, pursuant to procedures established by it, (i) upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the Initial Purchasers with portions of the principal amount of the Global Notes and (ii) ownership of such interests in the Global Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes may hold their interests therein directly through DTC if they are Participants in such system, or indirectly through organizations which are Participants in such system. All interests in a Global Note may be subject to the procedures and requirements of DTC. The laws of some states require that certain persons take physical delivery in certificated form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants and certain banks, the ability of a person having beneficial interests in a Global Note to pledge such interest to persons that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate evidencing such interests. For certain other restrictions on the transferability of the Notes, see "--Exchange of Book-Entry Notes for Certificated Notes" below.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their name, will not receive physical delivery of Notes in certificated form and will not be considered the registered

owners of holders thereof under the Indenture for any purpose.

Payments in respect of the Global Note registered in the name of DTC or its nominee will be payable by the Trustee to DTC in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, the Trustee will treat the persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all purposes whatsoever. Consequently, neither the Trustee nor any agent thereof has or will have any responsibility or liability for (i) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interests in the Global Note or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Note or (ii) any other

matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants. DTC has advised NRG that its current practice, upon receipt of any payment in respect of securities such as the Notes, is to credit the accounts of the relevant Participants with the payment on the payment date, in amounts proportionate to their respective holdings in principal amount of beneficial interests in the relevant security as shown on the records of DTC unless DTC has reason to believe it will not receive payment on such payment date. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee or NRG. Neither NRG nor the Trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the Notes, and NRG and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

DTC has advised NRG that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Participants to whose account with DTC interests in the Global Notes are credited and only in respect of such portion of the Notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Declaration, DTC reserves the right to exchange the Global Notes for Notes in certificated form and to distribute such Notes to its Participants.

The information in this section concerning DTC and its book-entry system has been obtained from sources that NRG believes to be reliable, but NRG does not take responsibility for the accuracy thereof. NRG will not have any responsibility for the performance by DTC or its Participants of their respective obligations under the rules and procedures governing their operations.

EXCHANGE OF BOOK-ENTRY NOTES FOR CERTIFICATED NOTES

A Global Note is exchangeable for Notes in registered certificated form if (i) DTC notifies NRG that it is unwilling or unable to continue as clearing agency for the Global Note or has ceased to be a clearing agency registered under the Exchange Act and NRG thereupon fails to appoint a successor clearing agency within 90 days, (ii) NRG in its sole discretion elects to cause the issuance of definitive certificated Notes or (iii) there has occurred and is continuing an Event of Default or any event which after notice or lapse of time or both would be an Event of Default under the Indenture. In addition, beneficial interests in a Global Note may be exchanged for certificated Notes upon request but only upon at least 20 days, prior written notice given to the Trustee by or on behalf of DTC in accordance with customary procedures. In all cases certificated Notes delivered in exchange for any Global Note or beneficial interest therein will be registered in the names, and issued in denominations of $100,000 and integral multiples of $1,000 in excess thereof, requested by or on behalf of the clearing agency (in accordance with its customary procedures).

THE TRUSTEE

Norwest Bank Minnesota, National Association is the Trustee under the Indenture. NRG and its affiliates also maintain banking and other commercial relationships with the Trustee and its affiliates in the ordinary course of business.

GOVERNING LAW

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

REGISTRATION RIGHTS

Holders of New Notes (other than as set forth below) are not entitled to any registration rights with respect to the New Notes. Pursuant to the Registration Rights Agreement, Holders of Old Notes are entitled to certain registration rights. Under the Registration Rights Agreement, NRG has agreed, for the benefit of the Holders of the Old Notes, that it will, at its cost, (i) file a registration statement with the Commission with respect to the Exchange Offer within 60 days after the Closing Date (or if the 60th day

is not a business day, the first business day thereafter) and (ii) use its best efforts to cause such registration statement to be declared effective under the Securities Act within 180 days after the Closing Date (or if the 180th day is not a business day, the first business day thereafter). The Registration Statement of which this Prospectus is a part constitutes the Exchange Offer Registration Statement.

In the event that any Holder shall notify NRG that (A) such Holder is not eligible to participate in the Exchange Offer or (B) such Holder may not resell the New Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and the prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (C) such Holder is a broker-dealer and holds Old Notes that are part of an unsold allotment from the original sale of the Old Notes, NRG will file with the Commission a shelf registration statement (the "Shelf Registration Statement") to cover resales of Transfer Restricted Securities by such Holders who satisfy certain conditions relating to the provision of information in connection with the Shelf Registration Statement. NRG will use its best efforts to cause the Shelf Registration Statement, if applicable, to be declared effective on or prior to 215 days after the date on which NRG becomes obligated to file the Shelf Registration Statement or receives certain notices from holders of the Old Notes and will use its best efforts to keep the Shelf Registration Statement continuously effective until the earlier of (i) two years after the effective date thereof, (ii) the date on which all Transfer Restricted Securities registered thereunder are disposed of in accordance therewith and (iii) one year after the effective date thereof if such Shelf Registration Statement is filed at the request of an Initial Purchaser. For purposes of the foregoing, "Transfer Restricted Securities" means each Old Note until the earliest to occur of (i) the date on which such Old Note has been exchanged for a New Note in the Exchange Offer, (ii) the date on which such Old Note has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (iii) the date on which such Old Note is distributed to the public pursuant to Rule 144 under the Securities Act.

A Holder of Old Notes who sells such Old Notes pursuant to the Shelf Registration Statement generally would be required to be named as a selling securityholder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement that are applicable to such a Holder (including certain indemnification obligations).

The summary herein of certain provisions of the Registration Rights Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Registration Rights Agreement, a copy of which is filed as an exhibit to the Registration Statement of which this Prospectus is a part.

SPECIAL INTEREST

In the event that either the Exchange Offer is not consummated or a Shelf Registration Statement with respect to any Transfer Restricted Securities is not declared effective on or prior to the 215th day following the date of original issuance of any Transfer Restricted Securities (or if the 215th day is not a business day, the first business day thereafter), interest will accrue (in addition to stated interest on the Securities) from and including the next day following such 215-day period. In each case such additional interest (the "Special Interest") will be payable in cash semiannually in arrears each June 15, and December 15, commencing December 15, 1997, at a rate per annum equal to 0.25% of the principal amount of such Transfer Restricted Securities. The aggregate amount of Special Interest payable pursuant to the above provisions will in no event exceed 0.25% per annum of the principal amount of any Transfer Restricted Securities. Upon the consummation of the Exchange Offer or the effectiveness of a Shelf Registration Statement, after the 215-day period described above, the Special Interest payable on such Transfer Restricted Securities from the date of such effectiveness or consummation, as the case may be, will cease to accrue and all accrued and unpaid Special Interest shall be paid to the holders of such Transfer Restricted Securities.

In the event that a Shelf Registration Statement is declared effective pursuant to the preceding paragraph, if the Company fails to keep such Registration Statement continuously effective for the period required by this Agreement, then from such time as the Shelf Registration Statement is no longer

effective until the earlier of (i) the date that the Shelf Registration Statement is again deemed effective, (ii) the date that is the second anniversary of the Closing Date or (iii) the date as of which all of the Securities are sold pursuant to the Shelf Registration Statement, Special Interest shall accrue at a rate per annum equal to 0.25% of the principal amount of the Securities and shall be payable in cash semiannually in arrears each June 15 and December 15, commencing December 15, 1997.

The filing and effectiveness of the Registration Statement of which this Prospectus is a part and the consummation of the Exchange Offer will eliminate all rights of the Holders of Old Notes eligible to participate in the Exchange Offer to receive Special Interest that would have been payable if such actions had not occurred.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of certain United States Federal income tax considerations associated with the exchange of Old Notes for New Notes and the ownership and disposition of the New Notes by Holders who acquire the New Notes pursuant to the Exchange Offer. This discussion is based upon existing United States Federal income tax law, which is subject to change, possibly retroactively. This discussion does not describe all aspects of United States Federal income taxation which may be important to particular Holders in light of their individual investment circumstances or certain types of Holders subject to special tax rules (e.g., financial institutions, insurance companies, broker-dealers, or tax-exempt organizations) or to persons that hold or will hold the Notes as a position in a "straddle" or as part of a "hedging" or "conversion" transaction, all of whom may be subject to tax rules that differ significantly from those described below. In addition, this discussion does not described any foreign, state, or local tax

considerations. This discussion deals only with Old Notes and New Notes held by initial purchasers of Old Notes as "capital assets" (generally, property held for investment) under the United States Internal Revenue Code.

The consummation of the Exchange Offer will not be a taxable event for United States Federal income tax purposes. Accordingly, a Holder receiving New Notes pursuant to the terms of the Exchange Offer will have the same adjusted tax basis and holding period in New Notes, for United States Federal income tax purposes, as such Holder had in the Old Notes tendered in exchange therefor.

Interest payable on the New Notes will be includible in the income of a Holder in accordance with such Holder's normal method of accounting.

Except in the case of an Old Note purchased at a discount to its original issue price, a Holder will recognize capital gain or loss upon the sale or other disposition of a New Note in an amount equal to the difference between the amount realized from such disposition and his tax basis in the New Note. Such gain or loss will be long-term if the New Note is held for more than one year.

In the case of a Holder who has purchased a New Note at a discount to its original issue price in excess of a statutorily defined de minimis amount and has not elected to include such discount in income on a current basis, (i) any gain recognized on the disposition of a New Note will be subject to tax as ordinary income, rather than capital gain, to the extent of accrued market discount and (ii) a portion of the interest expense on indebtedness incurred or maintained to purchase or carry such note may not be deducted until the note is disposed of in a taxable transaction.

PROSPECTIVE HOLDERS OF THE NEW NOTES ARE URGED TO CONSULT THEIR TAXADVISORS CONCERNING THE PARTICULAR TAX CONSEQUENCES OF EXCHANGING SUCH HOLDER'S OLD NOTES FOR THE NEW NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN INCOME AND OTHER TAX LAWS.

RATINGS

Standard & Poor's Ratings Group and Moody's Investors Service, Inc. have given the Notes the ratings set forth under "Summary -- The Exchange Offer -- Ratings." Such ratings reflect only the views of these organizations, and an explanation of the significance of each such rating may be obtained from Standard & Poor's Corporation, 25 Broadway, New York, New York 10004 and Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies or either of them if, in their judgment, circumstances so warrant. A downward change in or withdrawal of such ratings or either of them may have an adverse effect on the market price of the Notes.

PLAN OF DISTRIBUTION

Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. This Prospectus as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with the resales of New Notes received in exchange for Old Notes where such Old Notes were acquired as a result of market-making activities or other trading activities. NRG has agreed that, starting on the Expiration Date and ending on the close of business on the 90th day following the Expiration Date, it will make this Prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until , 1997 (90 days from the date of this Prospectus), all dealers effecting transactions in the New Notes may be required to deliver a prospectus.

NRG will not receive any proceeds from any sale of New Notes by broker-dealers or any other persons. New Notes received by broker-dealers for their own account pursuant to the Exchange Offer may be sold form time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or purchasers of any such New Notes. Any broker-dealer that resells New Notes that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such New Notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of New Notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 90 days after the Expiration Date, NRG will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. NRG has agreed to pay all expenses incident to NRG's performance of, or compliance with, the Registration Rights Agreement and will indemnify the Holders (including any broker-dealers) and certain parties related to the Holders against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

Certain legal matters with respect to the validity of the New Notes will be passed upon for NRG by Skadden, Arps, Slate, Meagher & Flom LLP.

EXPERTS

The consolidated financial statements of NRG as of December 31, 1995 and 1996 and for each of the two years in the period ended December 31, 1996 included in this Prospectus have been so included in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of NRG as of December 31, 1994 included in this Prospectus have been so included in reliance on the report of Deloitte & Touche LLP, independent auditors, given on the authority of said firm as experts in auditing and accounting.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Shareholders
NRG Energy, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholder's equity, and of cash flows present fairly, in all material respects, the financial position of NRG Energy, Inc. (a wholly-owned subsidiary of NSP) and its subsidiaries at December 31, 1996 and 1995, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of NRG's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP
Minneapolis, Minnesota
April 8, 1997

NRG ENERGY, INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1996	1995
	(THOUSANDS OF DOLLARS)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 12,438	$ 7,039
Restricted cash	17,688	9,773
Accounts receivable--trade, less allowance for doubtful accounts of $143 and $103	12,061	9,333

Accounts receivable-affiliates	6,708	4,640
Current portion of notes receivable-affiliates	3,601	5,267
Current portion of notes receivable	5,985	2,791
Inventory	2,312	1,811
Prepayments and other current assets	4,644	1,744
TOTAL CURRENT ASSETS	65,437	42,398
Property, Plant and Equipment, at Original Cost:		
In service	176,072	170,253
Under construction	24,683	5,914
	200,755	176,167
Less accumulated depreciation	(71,106)	(64,248)
Net property, plant and equipment	129,649	111,919
Other Assets:		
Investments in projects	365,749	221,129
Capitalized project costs	9,267	4,185
Notes receivable, less current portion-affiliates	58,169	32,389
Notes receivable, less current portion	9,309	--
Intangible assets, net of accumulated amortization of $5,647 and $4,127	40,476	41,996
Debt issuance costs, net of accumulated amortization of $338 and $189	2,753	573
Total other assets	485,723	300,272
TOTAL ASSETS	$680,809	$454,589

See accompanying notes.

NRG ENERGY, INC.
CONSOLIDATED BALANCE SHEETS -- (CONTINUED)

	DECEMBER 31,	
	1996	1995
	(THOUSANDS OF DOLLARS)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 4,848	$ 3,762
Accounts payable-trade	4,443	6,208
Note payable-affiliates	3,867	1,185
Accrued income taxes	1,930	7,366
Accrued property and sales taxes	2,159	1,895
Accrued salaries, benefits and related costs	6,559	5,178
Accrued interest	4,726	824
Other current liabilities	4,424	1,578
TOTAL CURRENT LIABILITIES	32,956	27,996
Long-term debt, less current portion	207,293	86,272
Deferred revenues	6,340	7,726
Deferred income taxes	8,606	9,166
Deferred investment tax credits	1,853	2,069
Deferred compensation	1,847	1,596
TOTAL LIABILITIES	258,895	134,825
Commitments and Contingencies (Note 13)		
Stockholder's Equity:		
Common stock; $1 par value; 1,000 shares authorized; 1,000 shares issued and outstanding	1	1
Additional paid-in capital	351,013	271,013

Retained earnings	66,301	46,323
Currency translation adjustments	4,599	2,427
TOTAL STOCKHOLDER'S EQUITY	421,914	319,764
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$680,809	$454,589

See accompanying notes.

NRG ENERGY, INC.
CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,	
	1996	1995
	(THOUSANDS OF DOLLARS)	
Operating revenues:		
Revenues from wholly-owned operations	$ 71,649	$64,180
Equity in operating earnings of unconsolidated affiliates	32,815	23,639
Total operating revenues	104,464	87,819
Operating costs and expenses:		
Cost of wholly-owned operations	36,562	32,535
Depreciation and amortization	8,378	8,283
General, administrative and development expenses	39,248	34,647
Total operating costs and expenses	84,188	75,465
Operating income	20,276	12,354
Other income (expense):		
Equity in gain from project termination settlements	--	29,850
Other income, net	9,477	4,896
Interest expense	(15,430)	(7,089)
Total other income (expense)	(5,953)	27,657
Income before income taxes	14,323	40,011
Income (benefit) taxes	(5,655)	8,810
Net Income	$ 19,978	$31,201

See accompanying notes.

NRG ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	1996	1995

	(THOUSANDS OF DOLLARS)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 19,978	$ 31,201
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Undistributed equity in operating earnings of unconsolidated affiliates	(17,827)	(20,074)
Depreciation and amortization	8,378	8,283
Deferred income taxes and investment tax credits	(776)	(2,608)
Cash (used) provided by changes in certain working capital items	(4,323)	8,993
Cash (used) by changes in other assets and liabilities	(1,284)	(1,004)
Equity in gain from project termination settlement	--	(29,850)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	4,146	(5,059)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in projects	(140,590)	(25,776)
Loans to projects	(36,617)	(35,411)
Capital expenditures	(24,588)	(11,036)
Cash distribution from project termination settlement	15,671	14,179
(Increase) decrease in restricted cash	(7,915)	4,044
Other, net	(4,486)	(3,104)
NET CASH USED BY INVESTING ACTIVITIES	(198,525)	(57,104)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions from parent	80,000	55,000
Proceeds from issuance of long-term debt	122,671	--
Principal payments on long-term debt	(2,893)	(3,305)
NET CASH PROVIDED BY FINANCING ACTIVITIES	199,778	51,695
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,399	(10,468)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,039	17,507
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 12,438	$ 7,039
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid (net of amount capitalized)	$ 11,527	$ 6,536
Income taxes paid	1,164	1,447

See accompanying notes.

NRG ENERGY, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	CURRENCY TRANSLATION ADJUSTMENTS	TOTAL STOCKHOLDER'S EQUITY
	(THOUSANDS OF DOLLARS)				
Balances at December 31, 1994	$1	$216,013	$15,122	$ 3,586	$234,722
Net income			31,201		31,201
Capital contributions from parent		55,000			55,000
Currency translation adjustments				(1,159)	(1,159)
Balances at December 31, 1995	1	271,013	46,323	2,427	319,764
Net income			19,978		19,978
Capital contributions from parent		80,000			80,000
Currency translation adjustments				2,172	2,172
Balances at December 31, 1996	$1	$351,013	$66,301	$ 4,599	$421,914

See accompanying notes.

NRG ENERGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

NRG Energy, Inc., a Delaware corporation, was incorporated on May 29, 1992, as a wholly-owned subsidiary of Northern States Power Company. Beginning in 1989, NRG was doing business through its predecessor companies, NRG Energy, Inc. and NRG Group, Inc., Minnesota corporations which were merged into NRG subsequent to its incorporation. NRG and its subsidiaries and affiliates develop, build, acquire, own and operate nonregulated energy-related businesses.

2. PRINCIPLES OF CONSOLIDATION

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of NRG and its subsidiaries (referred to collectively herein as NRG). All significant intercompany transactions and balances have been eliminated in consolidation. As discussed in Note 5, NRG has investments in partnerships, joint ventures and projects for which the equity method of accounting is applied. Earnings from equity in international investments are recorded net of foreign income taxes.

Cash Equivalents

Cash equivalents include highly liquid investments (primarily commercial paper) with a remaining maturity of three months or less at the time of purchase.

Restricted Cash

Restricted cash consists primarily of cash collateral required in connection with foreign currency hedging activities (see Note 12) and cash collateral for letters of credit issued in relation to project development activities.

Inventory

Inventory is valued at the lower of average cost or market and consists principally of spare parts and raw materials used to generate steam.

Property, Plant and Equipment

Property, plant and equipment are capitalized at original cost. Significant additions or improvements extending asset lives are capitalized, while repairs and maintenance are charged to expense as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Facilities and improvements.....	20-45 years
Machinery and equipment.....	7-30 years
Office furnishings and equipment	3-5 years

Capitalized Interest

Interest incurred on funds borrowed to finance projects expected to require more than three months to complete is capitalized. Capitalization of interest is discontinued when the project is completed and considered operational. Capitalized interest is amortized using the straight line method over the useful life of the related project. Capitalized interest was $364,000 and $253,000 in 1996 and 1995, respectively.

Development Costs and Capitalized Project Costs

These costs include professional services, dedicated employee salaries, permits, and other costs which are incurred incidental to a particular project. Such costs are expensed as incurred until a sales

2. PRINCIPLES OF CONSOLIDATION (Continued)
agreement or letter of intent is signed and the project has been approved by NRG's Board of Directors. Additional costs incurred after this point are capitalized. When project operations begin, previously capitalized project costs are reclassified to investment in projects and amortized on a straight-line basis over the lesser of the life of the project's related assets or revenue contract period.

Debt Issuance Costs

Costs to issue long-term debt have been capitalized and are being amortized over the terms of the related debt.

Intangibles

Intangibles consist principally of service agreements and the excess of the cost of investment in subsidiaries over the underlying fair value of the net assets acquired and are being amortized using the straight-line method over 30 years. NRG periodically evaluates the recovery of goodwill and other intangibles based on an analysis of estimated undiscounted future cash flows.

Income Taxes

NRG is included in the consolidated tax returns of NSP. NRG calculates its income tax provision on a separate return basis under a tax sharing agreement with NSP as discussed in Note 9. Current federal and state income taxes are payable to or receivable from NSP. NRG records income taxes using the liability method. Income taxes are deferred on all temporary differences between pretax financial and taxable income and between the book and tax bases of assets and liabilities. Deferred taxes are recorded using the tax rates scheduled by law to be in effect when the temporary differences reverse. Investment tax credits are deferred and amortized over the estimated lives of the related property. NRG's policy for income taxes related to international operations is discussed in Note 9.

Revenue Recognition

Under fixed-price contracts, revenues are recognized as deliveries of products or services are made. Revenues and related costs under cost reimbursable contract provisions are recorded as costs are incurred. Anticipated future losses on contracts are charged against income when identified.

Deferred revenues relate to a 1988 legal settlement with a major thermal customer. Settlement proceeds were deferred when received and are reflected in operating income on a straight-line basis over the life of the related steam contract which expires in 2001.

Foreign Currency Translation

The local currencies are generally the functional currency of NRG's foreign operations. Foreign currency denominated assets and liabilities are translated at end-of-period rates of exchange. The resulting currency adjustments are accumulated and reported as a separate component of stockholder's equity. Income, expense and cash flows are translated at weighted-average rates of exchange for the period.

Exchange gains and losses that result from foreign currency transactions (e.g., converting cash distributions made in one currency to another currency) are included in the results of operations as a component of equity in earnings of unconsolidated affiliates. Through December 31, 1996, NRG has not experienced any material translation gains or losses from foreign currency transactions that have occurred since the respective foreign investment dates.

Derivative Financial Instruments

As of March 31, 1997, NRG's policy was to hedge foreign currency denominated investments as they were made to preserve their U.S. dollar value, where appropriate hedging vehicles were available

2. PRINCIPLES OF CONSOLIDATION (Continued)

AND ECONOMICAL. NRG had entered into hedging transactions through the use of forward foreign currency exchange agreements. Gains and losses on these agreements offset the effect of foreign currency exchange rate fluctuations on the valuation of the investments underlying the hedges. Hedging gains and losses, net of income tax effects, are reported with other currency translation adjustments as a separate component of stockholder's equity. None of these derivative financial instruments are reflected in NRG's balance sheet as of March 31, 1997.

In July 1997, NRG changed its policy of hedging foreign currency denominated investments as they were made, to a policy of hedging foreign currency denominated cash flows over a projected 12-month period. As a result of this change in hedging policy, NRG terminated the seven foreign currency swap agreements on July 29, 1997. Such terminations resulted in cash payments to NRG without any earnings impact. Consistent with prior policies, NRG is not hedging future earnings and does not speculate in foreign currencies.

Use of Estimates

In recording transactions and balances resulting from business operations, NRG uses estimates based on the best information available. Estimates are used for such items as plant depreciable lives, tax provisions, uncollectible accounts and actuarially determined benefit costs. As better information becomes available (or actual amounts are determinable), the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

Reclassifications

Certain reclassifications have been made to the 1995 financial statements to conform to the 1996 presentation. These reclassifications had no effect on net income or stockholder's equity as previously reported.

3. BUSINESS ACQUISITIONS

In March 1996, a joint venture between NRG and Transfield signed an 18-year power purchase agreement and an agreement for the acquisition and refurbishment of the 180 MW Collinsville coal-fired power generation facility in Queensland, Australia. NRG would own a 50% interest and operate the facility in conjunction with Transfield.

In April 1996, NRG, through bankruptcy proceedings, purchased a 41.86% interest in O'Brien Environmental Energy, Inc. that has been renamed as NRG Generating (U.S.) Inc. (NRGG). In addition to an equity interest in NRGG, NRG acquired certain landfill gas projects in the purchase which were transferred to NEO and a cogeneration facility.

On December 19, 1996 NRG and Nordic Power Invest AB purchased 96.6% of Bolivian Power Company Limited. NRG's ownership is 58%, however it is NRG's intent to reduce its holding to 50% or less.

NEO, a wholly-owned subsidiary, owns a 50% interest in Minnesota Methane LLC. In 1996, Minnesota Methane LLC acquired a 12 MW project in West Covina, California and acquired six projects as part of the NRGG acquisition. Of the projects acquired, four were operating facilities and two were projects under

development and construction. In 1994, NEO acquired a 50% interest in Northbrook Energy. In 1996, Northbrook Energy acquired seven additional hydroelectric plants.

The total acquisition investments in these projects through December 31, 1996, including capitalized development costs, was approximately $121.5 million. Earnings from equity interests in these NRG projects acquired in 1996 contributed $2.7 million to NRG's 1996 earnings.

4. PROPERTY, PLANT AND EQUIPMENT

The major classes of property, plant and equipment at December 31 were as follows:

	1996	1995
	(THOUSANDS OF DOLLARS)	
Facilities and equipment, including construction work in progress of $24,683 and $5,914	$187,014	$163,099
Land and improvements	10,397	10,397
Office furnishings and equipment	3,344	2,671
Total property, plant and equipment	200,755	176,167
Accumulated depreciation	(71,106)	(64,248)
Net property, plant and equipment	$129,649	$111,919

5. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

NRG has investments in various international and domestic energy projects. The equity method of accounting is applied to such investments in affiliates, which include joint ventures and partnerships, because the ownership structure prevents NRG from exercising a controlling influence over operating and financial policies of the projects. Under this method, equity in pretax income or losses of domestic partnerships and in the net income or losses of international projects are reflected as equity in earnings of unconsolidated affiliates.

A summary of NRG's significant equity-method investments which were in operation at December 31, 1996 is as follows:

NAME	GEOGRAPHIC AREA	ECONOMIC INTEREST	PURCHASED OR PLACED IN SERVICE
MIBRAG Mining and Power Generation	Germany	33.3%	January 1994
Gladstone Power Station	Australia	37.5%	March 1994
Schkopau Power Station	Germany	20.6%	January and July 1996
Scudder Latin American Trust for Independent Power Energy Project	Latin America	25.0%	June 1993
Collinsville Electric Generation	Australia	50.0%	March 1996
COBEE	Bolivia	58.0%	December 1996
NRG Generating	USA	41.9%	April 1996
Various Independent Power Production Facilities	USA	45%-50%	July 1991-December 1996
Rosebud Syncoal Partnership	USA	50.0%	August 1993

5. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD (Continued)

Summarized financial information for investments in unconsolidated affiliates accounted for under the equity method as of and for the year ended December 31, is as follows:

	1996	1995
	(THOUSANDS OF DOLLARS)	
Operating revenues	$ 886,947	$ 776,612
Costs and expenses	794,255	615,696
Net income	$ 92,692	$ 160,916
Current assets	$ 647,213	$ 757,124
Noncurrent assets	3,420,950	2,557,992
Total assets	$4,068,163	$3,315,116
Current liabilities	$ 365,905	$ 290,805
Noncurrent liabilities	2,732,922	2,236,919
Equity	969,336	787,392
Total liabilities and equity	$4,068,163	$3,315,116
NRG's share of equity	$ 365,749	$ 221,129
NRG's share of income	32,815	23,639

In June 1995, a power sales contract between a California energy project, in which NRG is a 45% investor, and an unaffiliated utility company was terminated. A pretax gain of $29.9 million was recognized by NRG for its share of the termination settlement.

NRG recorded pretax charges of $1.5 million in 1996 and $5.0 million in 1995 to write down the carrying value of certain energy projects.

6. RELATED PARTY TRANSACTIONS.

Operating Agreements

NRG has two agreements with NSP for the purchase of thermal energy. Under the terms of the agreements, NSP charges NRG for certain costs (fuel, labor, plant maintenance, and auxiliary power) incurred by NSP to produce the thermal energy. NRG paid NSP $6.0 million in 1996 and $3.7 million in 1995 under these agreements.

NRG has a renewable 10-year agreement with NSP, expiring on December 31, 2001, whereby NSP agrees to purchase refuse-derived fuel for use in certain of its boilers and NRG agrees to pay NSP a burn incentive. NRG has an agreement expiring in 1997 to sell wood by-product obtained from a thermal customer to NSP for use as fuel. Under these agreements, NRG received $1.5 million and $1.9 million from NSP, and paid $2.2 million and $2.3 million to NSP in 1996 and 1995, respectively.

Administrative Services and Other Costs

NRG and NSP have entered into an agreement to provide for the reimbursement of actual administrative services provided to each other, an allocation of NSP administrative costs and a working capital fee. Services provided by NSP to NRG are principally cash management, legal, accounting, employee relations and engineering. In addition, NRG employees participate in certain employee benefit plans of NSP as discussed in Note 10. During 1996 and 1995, NRG paid NSP $7.2 million and $6.8 million, respectively, as

reimbursement under this agreement.

In 1996, NRG and NSP entered into an agreement for NRG to provide operations and maintenance services for NSP's Elk River resource recovery facility and Becker ash landfill. During 1996, NSP paid NRG $1.5 million as reimbursement under this agreement.

7. NOTES RECEIVABLE

Notes receivable consist primarily of fixed and variable rate notes secured by equity interests in partnerships and joint ventures. The interest rate on the notes ranged from 7.0% to 12.5% at December 31, 1996 and 1995.

8. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	1996	1995
	(THOUSANDS OF DOLLARS)	
NRG Energy Center, Inc. Senior Secured Notes Series due June 15, 2013, 7.31%	$ 76,986	$79,326
Note payable to NSP, due December 1, 1995-2006 5.40%-6.75%	8,405	8,958
NRG Sunnyside, Inc. note payable, due December 31, 1997, 10.00%	1,750	1,750
NRG Energy Senior Notes, due February 1, 2006, 7.625%	125,000	--
	212,141	90,034
Less current maturities	(4,848)	(3,762)
Total	$207,293	$86,272

The NRG Energy Center, Inc. notes are secured principally by long-term assets of the Minneapolis Energy Center (MEC). In accordance with the terms of the note agreements, MEC is required to maintain compliance with certain financial covenants primarily related to incurring debt, disposing of MEC assets, and affiliate transactions. MEC was in compliance with these covenants at December 31, 1996.

The note payable to NSP relates to long-term debt assumed by NRG in connection with the transfer of ownership of an RDF processing plant by NSP to NRG in 1993.

The NRG Sunnyside, Inc. note payable was issued in connection with the purchase of an equity interest in a waste-coal project in 1994.

The NRG Energy Senior Notes were issued in January 1996, are unsecured and require semi-annual interest payments on February 1 and August 1.

Annual maturities of long-term debt for the years ending after December 31, 1996 are as follows:

(THOUSANDS OF

	DOLLARS)
1997.....	$ 4,848
1998.....	3,335
1999.....	3,581
2000.....	3,841
2001.....	4,160
Thereafter ..	192,376
Total.....	$212,141

NRG has revolving-credit agreements which allow for Letters of Credit which may not exceed $63.9 million. There were $18.4 million and $0 outstanding letters of credit under the credit agreements at December 31, 1996 and 1995, respectively.

9. INCOME TAXES

NRG and its parent, NSP, have entered into a federal and state income tax sharing agreement relative to the filing of consolidated federal and state income tax returns. The agreement provides,

9. INCOME TAXES (Continued)
among other things, that (1) if NRG, along with its subsidiaries, is in a taxable income position, NRG will be currently charged with an amount equivalent to its federal and state income tax computed as if the group had actually filed separate federal and state returns, and (2) if NRG, along with its subsidiaries, is in a tax loss position, NRG will be currently reimbursed to the extent its combined losses are utilized in a consolidated return, and (3) If NRG, along with its subsidiaries, generates tax credits, NRG will be currently reimbursed to the extent its tax credits are utilized in a consolidated return.

The provision for income taxes consists of the following:

	1996	1995
	(THOUSANDS OF DOLLARS)	
Current		
Federal.....	$ 633	$ 9,965
State.....	253	3,268
Foreign.....	616	233
	1,502	13,466
Deferred		
Federal.....	(3,655)	(1,592)
State.....	(1,498)	(1,012)
	(5,153)	(2,604)
Tax credits recognized.....	(2,004)	(2,052)
Total income tax (benefit) expense.....	$(5,655)	$ 8,810

The components of the net deferred income tax liability at December 31 were:

	1996	1995
	(THOUSANDS OF DOLLARS)	
Deferred tax liabilities		
Differences between book and tax bases of property	$16,606	$16,364
Investments in projects	2,988	1,226
Goodwill	2,974	444
Other	2,646	112
Total deferred tax liabilities	25,214	18,146
Deferred tax assets		
Deferred revenue	3,043	3,099
Development costs	5,581	--
Deferred investment tax credits	766	856
Deferred compensation, accrued vacation and other reserves	1,536	1,412
Steam capacity rights	1,043	1,109
Other	4,639	2,504
Total deferred tax assets	16,608	8,980
Net deferred tax liability	$ 8,606	$ 9,166

Rate Reconciliation

At December 31, 1996, the effective income tax rate (benefit) of (39.5)% differs from the statutory federal income tax rate of 35% primarily due to the fact that NRG generated a domestic tax loss of $15 million for the year. For the year ended December 31, 1995, NRG had a domestic tax gain of $9.2 million with the change between 1996 and 1995 primarily attributable to a $29.9 million gain from the sale of a power agreement at SJVEP.

9. INCOME TAXES (Continued)

Income before income taxes includes net foreign equity income of $28 million and $32 million in 1996 and 1995, respectively. NRG's management intends to reinvest the earnings of foreign operations indefinitely. Accordingly, U.S. income taxes and foreign withholding taxes have not been provided on the earnings of foreign subsidiary companies. The cumulative amount of undistributed earnings of foreign subsidiaries upon which no U.S. income taxes or foreign withholding taxes have been provided is approximately $87.3 million at December 31, 1996. The additional U.S. income tax and foreign withholding tax on the unremitted foreign earnings, if repatriated, would be offset in whole or in part by Foreign tax credits. Thus, it is impracticable to estimate the amount of tax that might be payable.

10. BENEFITS PLANS AND OTHER POSTRETIREMENT BENEFITS

Pension Benefits

NRG participates in NSP's noncontributory, defined benefit pension plan

that covers the majority of all U.S. employees. Benefits are based on a combination of years of service, the employee's highest average pay for 48 consecutive months, and Social Security benefits. Net annual periodic pension cost includes the following components:

	1996	1995
	(THOUSANDS OF DOLLARS)	
Service cost-benefits earned during the period	$ 1,115	$ 688
Interest cost on projected benefit obligation	1,013	525
Actual return on assets	(1,983)	(1,542)
Net amortization and deferral	1,258	1,147
Net periodic pension cost	$ 1,403	$ 688

NRG's funding policy is to contribute to NSP the full actuarial pension cost accrued, less future tax benefits to be realized from such costs. Plan assets consist principally of common stock of public companies, corporate bonds and U.S. government securities. The funded status of the pension plan in which NRG employees participate is as follows at December 31, 1996 and 1995:

NSP Plan -- 1996

	TOTAL	NRG PORTION
	(THOUSANDS OF DOLLARS)	
Actuarial present value of benefit obligation		
Vested	$ 660,920	$ 6,464
Nonvested	147,278	3,422
Accumulated benefit obligation	$ 808,198	$ 9,886
Projected benefit obligation	$ 993,821	$14,253
Plan assets at fair value	1,634,696	12,986
Plan assets (in excess of) less than projected benefit obligation	(640,875)	1,267
Unrecognized prior service cost	(19,734)	(86)
Unrecognized net actuarial gain (loss)	651,368	256
Unrecognized net transitional asset	539	--
Net pension (prepaid) liability recorded	$ (8,702)	$ 1,437

10. BENEFITS PLANS AND OTHER POSTRETIREMENT BENEFITS (Continued)

NSP Plan -- 1995

	TOTAL	NRG PORTION

	(THOUSANDS OF DOLLARS)	
Actuarial present value of benefit obligation		
Vested	$ 686,403	$ 3,050
Nonvested	155,177	1,520
Accumulated benefit obligation	$ 841,580	$ 4,570
Projected benefit obligation	$1,039,981	$ 8,828
Plan assets at fair value	1,456,530	6,657
Plan assets (in excess of) less than projected benefit obligation	(416,549)	2,171
Unrecognized prior service cost	(20,805)	(91)
Unrecognized net actuarial gain (loss)	452,699	(1,388)
Unrecognized net transitional asset	615	--
Net pension liability recorded	$ 15,960	$ 692

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 7.5% in 1996 and 7% in 1995. The rate of increase in future compensation levels used in determining the actuarial present value of the projected obligation was 5% in 1996 and in 1995. The assumed long-term rate of return on assets used for cost determinations was 9% for 1996 and 8% for 1995. Changes in actuarial assumptions increased 1996 pension costs by $284,000 and are expected to decrease 1997 costs by $150,000.

Postretirement Health Care

NRG participates in NSP's contributory health and welfare benefit plan that provides health care and death benefits to the majority of all U.S. employees after their retirement. The plan is intended to provide for sharing of costs of retiree health care between NRG and retirees. For employees retiring after January 1, 1994, a six-year cost-sharing strategy was implemented with retirees paying 15% of the total cost of health care in 1994, increasing to a total of 40% in 1999.

Postretirement health care benefits for NRG are determined and recorded under the provisions of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." SFAS No. 106 requires the actuarially determined obligation for postretirement health care and death benefits to be fully accrued by the date employees attain full eligibility for such benefits, which is generally when they reach retirement age. In conjunction with the adoption of SFAS No. 106 in 1993, NRG elected to amortize on a straight-line basis over 20 years the unrecognized accumulated postretirement benefit obligation (APBO) of $1.4 million for current and future retirees.

10. BENEFITS PLANS AND OTHER POSTRETIREMENT BENEFITS (Continued)

Plan assets as of December 31, 1996, consisted of investments in equity mutual funds and cash equivalents. NRG's funding policy is to contribute to NSP benefits actually paid under the plan. The following table sets forth the funded status of the health care plan in which NRG employees participate at December 31, 1996 and 1995:

NSP Plan -- 1996

	TOTAL	PORTION
	(THOUSANDS OF DOLLARS)	
APBO		
Retirees	$ 144,180	$ 323
Fully eligible plan participants	23,438	619
Other active plan participants	101,065	2,269
Total APBO	268,683	3,211
Plan assets at fair value	(15,514)	--
APBO in excess of plan assets	253,169	3,211
Unrecognized net actuarial loss	(12,467)	(366)
Unrecognized net transition obligation	(172,480)	(1,133)
Net benefit obligation recorded	$ 68,222	$ 1,712

NSP Plan -- 1995

	TOTAL	NRG PORTION
	(THOUSANDS OF DOLLARS)	
APBO		
Retirees	$ 145,800	$ 67
Fully eligible plan participants	24,400	518
Other active plan participants	116,800	2,239
Total APBO	287,000	2,824
Plan assets at fair value	(11,600)	--
APBO in excess of plan assets	275,400	2,824
Unrecognized net actuarial loss	(40,400)	(510)
Unrecognized net transition obligation	(183,200)	(1,203)
Net benefit obligation recorded	$ 51,800	$ 1,111

The assumed health care cost trend rates used in measuring the APBO at December 31, 1996 and 1995, were 9.8% and 10.4% for those under age 65, and 7.1% and 7.3% for those over age 65, respectively. The assumed cost trends are expected to decrease each year until they reach 5.5% for both age groups in the year 2004, after which they are assumed to remain constant. A 1% increase in the assumed health care cost trend rate for each year would increase the APBO by approximately 14% as of December 31, 1996. Service and interest cost components of the net periodic postretirement cost would increase by approximately 17% with a similar one percent increase in the assumed health care cost trend rate. The assumed discount rate used in determining the APBO was 7.5% for December 31, 1996 and 7% for December 31, 1995, compounded annually. The assumed long-term rate of return on assets used for cost determinations under SFAS No. 106 was 8% for 1996 and 1995. Changes in actuarial assumptions had an immaterial impact on 1996 costs and are not expected to materially impact 1997 costs.

10. BENEFITS PLANS AND OTHER POSTRETIREMENT BENEFITS (Continued)

The net annual periodic postretirement benefit cost recorded for 1996 and 1995 consists of the following components:

	1996	1995
	(THOUSANDS OF DOLLARS)	
Service cost-benefits earned during the year	$257	$171
Interest cost on APBO	233	171
Amortization of transition obligation	70	70
Net amortization and deferral	26	--
Net periodic postretirement health care cost	$586	$412

NRG Equity Plan

Employees are eligible to participate in the NRG Equity Plan (the Plan), a long term incentive plan. The Plan grants phantom equity units to employees based upon performance and job grade. NRG's equity units are valued based upon NRG's growth and financial performance. The primary financial measures used in determining the equity units' value are revenue growth, return on investment and cash flow from operations. The units are awarded to employees annually at the respective years calculated share price (grant price). The Plan provides employees with a cash payout for the appreciation in equity unit value over the vesting period. The Plan has a seven year vesting schedule with actual payments beginning after the end of the third year and continuing at 20% each year for the subsequent five years. The Plan includes a change of control provision, which allow all shares to vest if the ownership of NRG were to change. Phantom equity units outstanding at December 31, 1996 and 1995 were 1,380,990 and 1,164,090, respectively. The cost of the phantom equity units is expensed over the vesting period from the date of issuance ($452,000 and $422,000 in 1996 and 1995, respectively).

Deferred Compensation

Certain employees of NRG are eligible to participate in a deferred compensation program. The employee can elect to defer a portion of their compensation until retirement. Earnings on the amounts deferred are equal to the return on the Fixed Income Option of the NSP Retirement Savings Plan. Earnings will be compounded annually and credited monthly. Payouts begin upon retirement with payments made over 180 equal monthly installments (or a minimum of $500 per month until their account balance is zero.)

11. SALES TO SIGNIFICANT CUSTOMERS

NRG and the Ramsey/Washington Resource Recovery Project have a service agreement for waste disposal which expires in 2006. Approximately 29.1% in 1996 and 32.1% in 1995 of NRG's revenues from wholly-owned operations were recognized under this contract. In addition, sales to one thermal customer amounted to 14.1% and 15.6% of revenues from wholly-owned operations in 1996 and 1995, respectively.

12. FINANCIAL INSTRUMENTS

The estimated December 31 fair values of recorded financial instruments are as follows:

	1996		1995	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(THOUSANDS OF DOLLARS)			
Cash and cash equivalents	$ 12,438	$ 12,438	$ 7,039	$ 7,039
Restricted cash	17,688	17,688	9,773	9,773
Notes receivable, including current portion	77,064	77,064	40,447	40,447
Long-term debt, including current portion	212,141	200,875	90,034	91,682

For cash, cash equivalents and restricted cash, the carrying amount approximates fair value because of the short-term maturity of those instruments. The fair value of notes receivable is based on expected future cash flows discounted at market interest rates. The fair value of long term debt is estimated based on the quoted market prices for the same or similar issues.

Derivatives

NRG has entered into seven forward foreign currency exchange contracts with counterparties to hedge exposure to currency fluctuations to the extent permissible by hedge accounting requirements. Pursuant to these contracts, transactions have been executed that are designed to protect the economic value in U.S. dollars of NRG's equity investments and retained earnings, denominated in Australian dollars and German deutsche marks (DM). As of December 31, 1996, NRG had $132 million of foreign currency denominated assets that were hedged by forward foreign currency exchange contracts with a notional value of $123 million. In addition, NRG had approximately $82 million of foreign currency denominated retained earnings from foreign projects that were hedged by forward foreign currency exchange contracts with a notional value of $59 million. Because the effects of both currency translation adjustments to foreign investments and currency hedge instrument gains and losses are recorded on a net basis in stockholders' equity (not earnings), the impact of significant changes in currency exchange rates on these items would have an immaterial effect on NRG's financial condition and results of operations. In connection with the forward foreign currency exchange contracts, cash collateral of $16 million was required at December 31, 1996, which is reflected as restricted cash on NRG's balance sheet. The forward foreign currency exchange contracts terminate in 1998 through 2006 and require foreign currency interest payments by either party during each year of the contract. If the contracts had been terminated at December 31, 1996, $13.3 million would have been payable by NRG for currency exchange rate changes to date. Management believes NRG's exposure to credit risk due to non-performance by the counterparties to its forward exchange contracts is not significant, based on the investment grade rating of the counterparties.

13. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

NRG leases certain of its facilities and equipment under operating leases, some of which include escalation clauses, expiring on various dates through 2010. Rental expense under these operating leases was $741,000 in 1996 and $796,000 in 1995. Future minimum lease commitments under these leases for the years ending after December 31, 1996 are as follows:

13. COMMITMENTS AND CONTINGENCIES (Continued)

	(THOUSANDS OF DOLLARS)
1997.....	$ 1,050
1998.....	936
1999.....	956
2000.....	982
2001.....	1,008
Thereafter ..	5,349
Total.....	$10,281

Capital Commitments -- International

NRG signed a Joint Development Agreement for the acquisition, upgrading, expansion and development of Energy Center Kladno in Kladno, Czech Republic. The acquisition of the existing facility is the first phase of a development project that will include upgrading the existing plant and developing a new power generation facility. NRG has a $44 million commitment for the additional facilities.

NRG together with its partners, signed a power contract with PT Perusahaan Listrik Negara, the state-owned Indonesian electric company, to build, own and operate a 400 MW coal-fired power station in Cilegon, West Java, Indonesia. NRG has a $65 million commitment for the facility.

NRG is contractually committed to additional equity investments of $14 million for Scudder Latin American Power I and $7 million to Scudder Latin American Power II as of December 31, 1996.

NRG reached agreement to purchase a 50% equity interest in the Enfield Energy Centre, a 350 MW power project located in the North London borough of Enfield, England. NRG has a $62 million commitment.

NRG and Transfield signed an acquisition agreement for the acquisition and refurbishment of the 180 MW Collinsville coal-fired power generation facility in Queensland, Australia. NRG has a $9 million commitment.

Future capital commitments related to international projects are as follows:

	(MILLIONS OF DOLLARS)
1997.....	$ 37
1998.....	75
1999.....	52
2000.....	29
2001.....	8
Total...	$201

Capital Commitments -- Domestic

In 1996 NRG has provided a $10 million loan commitment to a wholly-owned subsidiary of NRG Generating (U.S.) Inc. (NRGG). The purpose of the loan is to allow NRGG to fund its capital contribution to a cogeneration project currently under construction. NRG anticipates funding the loan in 1997.

Also in 1996, NRG has committed to provide NRGG power generation investment opportunities in the United States over a period of three years. The projects must have an aggregate, over the three year term, equity value of at least $60 million or a minimum of 150 net megawatts. In addition, NRG has committed to finance these projects to the extent funds are not available to NRGG on comparable terms from other sources.

13. COMMITMENTS AND CONTINGENCIES (Continued)
Claims and Litigation

In normal course of business, NRG is a party to routine claims and litigation arising from current and prior operations. NRG is actively defending these matters and does not believe the outcome of such matters would materially impact the results of operations.

14. SEGMENT REPORTING

NRG conducts its business within one industry segment--independent power generation. Operations in the United States include wholly-owned operations and investments in various domestic energy projects. International operations include investments in various international energy projects. See Note 5 for significant equity method investments.

1996	U.S.	EUROPE	ASIA PACIFIC	OTHER AMERICAS	CORPORATE/ OTHER	TOTAL
			(IN THOUSANDS)			
Consolidated operating revenues	$ 71,649					$ 71,649
Equity in income (loss) from investments	1,473	$ 17,385	$11,155	$ 967	$ 1,835	32,815
Total operating revenues	73,122	17,385	11,155	967	1,835	104,464
Net income	28,182	17,385	11,155	967	(37,711)(1)	19,978
Assets reported on a consolidated basis	148,666				42,159 (2)	190,825
Equity investments and loans to affiliates	130,786	210,587	97,988	50,623		489,984
Total assets	279,452	210,587	97,988	50,623	42,159	680,809
1995						
Consolidated operating revenues	64,180					64,180
Equity in income (loss) from investments	(2,398)	22,143	11,451	29	(7,586)	23,639
Total operating revenues	61,782	22,143	11,451	29	(7,586)	87,819
Net income	50,813	22,143	11,451	29	(53,235)(1)	31,201
Assets reported on a consolidated basis	124,807				21,569 (2)	146,376
Equity investments and loans to affiliates	118,220	106,809	78,303	4,881		308,213
Total assets	$243,027	$106,809	$78,303	$ 4,881	$ 21,569	$454,589

(1) Includes all expenses not allocated to either consolidated operations or equity investments. This includes general, administrative and

development expenses as well as other income (net), interest expense and taxes.

(2) Includes cash, debt issuance costs and other items not directly related to specific asset groups.

15. SUBSEQUENT EVENT

On February 6,1997, NRG signed a subscription agreement with Energy Developments Limited (EDL) to acquire up to 20% of common stock, and an additional 15% of preference shares at AUS$2.20 per share. EDL is an Australian company engaged exclusively in independent power generation from landfill gas, coal seam methane and natural gas (including latest technology combined cycle projects). EDL is the largest generator of power from coal seam methane in the world. The company currently operates over 200 MW of generation across five states and territories of Australia and has commenced the development of new projects in the United Kingdom, Asia and New Zealand. The current equity megawatt ownership held by EDL is approximately I70 MW. EDL is a publicly traded company with its securities listed on the Australian Stock Exchange. On February 11, 1997 NRG made an initial purchase of 7.2% (4.5 million shares) of common stock for AUS$9.9 million (US$7.9 million).

REPORT OF INDEPENDENT AUDITORS
NRG ENERGY, INC. AND SUBSIDIARIES

To the Board of Directors and Stockholder
NRG Energy, Inc.
Minneapolis, Minnesota

We have audited the accompanying consolidated balance sheet of NRG Energy, Inc. (the Company) (a wholly-owned subsidiary of Northern States Power Company) as of December 31, 1994 and the related consolidated statements of income, stockholder's equity, and cash flows for the year ended December 31, 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the 1994 financial statements of Sunshine State Power BV and Sunshine State Power (No. 2) BV, the Company's investments in which are accounted for by use of the equity method. These investments represent 19% of total assets as of December 31, 1994 and the equity in earnings represents 32% of equity in earnings of projects for the year ended December 31, 1994. The financial statements of Sunshine State Power BV and Sunshine State Power (No. 2) BV were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of such other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors,

such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 1994, and the results of its operations and its cash flows for the year ended December 31, 1994, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP
Minneapolis, Minnesota
March 24, 1995

NRG ENERGY, INC.
CONSOLIDATED BALANCE SHEET

	DECEMBER 31, 1994
	(THOUSANDS OF DOLLARS)
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 17,507
Restricted cash	13,817
Accounts receivable--trade, less allowance for doubtful accounts of $185	11,576
Accounts receivable--affiliates	610
Income taxes receivable	2,442
Current portion of notes receivable	3,115
Inventory	1,704
Prepayments and other current assets	1,173
TOTAL CURRENT ASSETS	51,944
Property, Plant and Equipment, at Original Cost:	
In service	163,438
Under construction	2,289
	165,727
Less accumulated depreciation	(58,093)
Net property, plant and equipment	107,634
Other Assets:	
Investments in projects	164,863
Capitalized project costs	3,030
Notes receivable, less current portion-affiliates	3,687
Intangible assets, net of accumulated amortization of $2,549	44,798
Debt issuance costs, net of accumulated amortization of $148	614
Total other assets	216,992
TOTAL ASSETS	$376,570

See accompanying notes.

NRG ENERGY, INC.
CONSOLIDATED BALANCE SHEET -- (CONTINUED)

	DECEMBER 31, 1994
	(THOUSANDS OF DOLLARS)
LIABILITIES AND STOCKHOLDER'S EQUITY	
Current liabilities:	
Current portion of long-term debt	$ 3,306
Accounts payable--trade	5,199
Note payable--affiliates	3,037
Accrued property and sales taxes	2,291
Accrued salaries, benefits and related costs	2,751
Other current liabilities	11,021
TOTAL CURRENT LIABILITIES	27,605
Long-term debt, less current portion	90,033
Deferred revenues	8,811
Deferred income taxes	11,519
Deferred investment tax credits	2,324
Deferred compensation	1,556
TOTAL LIABILITIES	141,848
Commitments and Contingencies (Note 13)	
Stockholder's Equity:	
Common stock; $1 par value; 1,000 shares authorized; 1,000 shares issued and outstanding	1
Additional paid-in capital	216,013
Retained earnings	15,122
Currency translation adjustments	3,586
TOTAL STOCKHOLDER'S EQUITY	234,722
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$376,570

See accompanying notes.

NRG ENERGY, INC.
CONSOLIDATED STATEMENT OF INCOME

	YEAR ENDED DECEMBER 31, 1994
	(THOUSANDS OF DOLLARS)
Operating revenues:	
Revenues from wholly-owned operations	$63,970
Equity in operating earnings of unconsolidated affiliates	27,155
Total operating revenues	91,125
Operating costs and expenses:	
Cost of wholly-owned operations	34,861
Depreciation and amortization	8,675
General, administrative and development expenses	19,993
Total operating costs and expenses	63,529
Operating income	27,596
Other income (expense):	
Equity in gain from project termination settlements	9,685
Other income, net	1,411
Interest expense	(6,682)
Total other income	4,414

Income before income taxes	32,010
Income taxes	2,472
Net Income	$29,538

See accompanying notes.

NRG ENERGY, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1994
	(THOUSANDS OF DOLLARS)
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 29,538
Adjustments to reconcile net income to net cash provided (used) by operating activities	
Undistributed equity in operating earnings of unconsolidated affiliates	(18,511)
Depreciation and amortization	8,675
Deferred income taxes and investment tax credits	(523)
Cash (used) provided by changes in certain working capital items	(6,138)
Cash (used) by changes in other assets and liabilities	(615)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	12,426
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments in projects	(102,119)
Loans to projects	(4,415)
Capital expenditures	(5,750)
(Increase) decrease in restricted cash	(13,817)
Other, net	2,255
NET CASH USED BY INVESTING ACTIVITIES	(123,846)
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital contributions from parent	103,885
Dividends and other distributions paid to parent	(9)
Proceeds from issuance of long-term debt	2,375
Principal payments on long-term debt	(2,487)
NET CASH PROVIDED BY FINANCING ACTIVITIES	103,764
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,656)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	25,163
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 17,507
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Interest paid (net of amount capitalized)	$ 6,808
Income tax benefits received, net of taxes paid	(1,939)

See accompanying notes.

NRG ENERGY, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	CURRENCY TRANSLATION ADJUSTMENTS	TOTAL STOCKHOLDER'S EQUITY
			(THOUSANDS OF DOLLARS)		
Balances at December 31, 1993	$1	$112,128	$(14,407)		$ 97,722
Net income			29,538		29,538
Dividends and other distributions to parent			(9)		(9)
Capital contributions from parent		103,885			103,885

Currency translation adjustments				$3,586	3,586
Balances at December 31, 1994	$1	$216,013	$ 15,122	$3,586	$234,722

See accompanying notes.

NRG ENERGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

NRG Energy, Inc. (the Company), a Delaware Corporation, was incorporated on May 29, 1992, as a wholly-owned subsidiary of Northern States Power Company (NSP). Beginning in 1989, the Company was doing business through its predecessor companies. NRG Energy, Inc. and NRG Group, Inc. Minnesota corporations which were merged into the Company subsequent to its incorporation. The Company and its subsidiaries and affiliates develop, build, acquire, own and operate nonregulated energy-related businesses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries (referred to collectively herein as NRG). All significant intercompany transactions have been eliminated. Investments in partnerships, joint ventures and projects representing ownership of more than 20%, but not in excess of 50%, are accounted for on the equity method.

Cash equivalents

Cash equivalents include highly liquid investments (primarily commercial paper) with a remaining maturity of three months or less at the time of purchase.

Restricted cash

Restricted cash consists primarily of cash collateral required in connection with foreign currency hedging activities (see Note 12) and cash collateral for letters of credit issued in relation to project development activities.

Inventory

Inventory is valued at the lower of average cost or market and consists principally of spare parts and raw materials used to generate steam.

Property, plant and equipment

Property, plant and equipment are capitalized at original cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements.....	20-45 years
Machinery and equipment.....	7-30 years
Office furniture and equipment	3-5 years

Capitalized interest

Interest incurred on funds borrowed to finance projects expected to require more than three months to complete is capitalized. Capitalization of interest is discontinued when the project is completed and considered operational. Capitalized interest is amortized using the straight-line method over the useful life of the related project. Capitalized interest was $45,000 in 1994.

Development and capitalized project costs

These costs include professional services, dedicated employee salaries, permits, and other costs which are incurred incidental to a particular project. Such costs are expensed as incurred until a sales agreement or letter of intent is signed, after which time they are capitalized. When project operations begin, previously capitalized project costs are amortized on a straight-line basis over the lesser of the life of the project's related assets or revenue contract period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt issuance costs

Costs to issue long-term debt have been capitalized and are being amortized over the terms of the related debt.

Intangibles

Intangibles consist principally of service agreements and the excess of the cost of investment in subsidiaries over the underlying fair value of the net assets acquired and are being amortized using the straight-line method over 30 years. Intangibles also include patents which are being amortized using the straight-line method over 17 years. The Company periodically evaluates the recovery of goodwill and other intangibles based on an analysis of the estimated undiscounted future cash flows.

Income taxes

The Company is included in the consolidated tax returns of NSP. NRG calculates its income tax provision on a separate return basis under a tax sharing arrangement with NSP. Current federal and state income taxes are payable to or receivable from NSP. NRG records income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109 "Accounting for Income Taxes." Under the liability method required by SFAS No.109, income taxes are deferred on all temporary differences between pretax financial and taxable income and between the book and tax bases of assets and liabilities. Deferred taxes are recorded using the tax rates scheduled by law to be in effect when the temporary differences reverse. Investment tax credits are deferred and amortized over the estimated lives of the related property.

Revenue recognition

Under fixed-price contracts, revenues are recognized as deliveries of products or services are made. Revenues and related costs under cost reimbursable contract provisions are recorded as costs are incurred. Anticipated future losses on contracts are charged against income when identified.

Deferred revenues related to a 1988 legal settlement with a major thermal customer. Settlement proceeds were deferred when received and are reflected in operating income on a straight-line basis over the life of the related steam contract which expires in 2001.

Foreign currency translation

The local currencies are generally the functional currency of NRG's foreign operations. Foreign currency denominated assets and liabilities are translated at end-of-period rates of exchange. Income, expense and cash flows are translated at weighted-average rates of exchange for the period. The resulting currency translation adjustments are accumulated and reported as a separate component of stockholder's equity.

Exchange gains and losses that result from foreign currency transactions (e.g., converting cash distributions made in one currency to another currency) are included in the results of operations. Through December 31, 1994, NRG has not experienced any material translation gains or losses from foreign currency transactions.

Derivative financial instruments

NRG's policy is to hedge financial currency denominated investments as they are made to preserve their U.S. dollar value. NRG has entered into currency hedging transactions through the use of forward

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

foreign currency exchange agreements. Gains and losses on these contracts offset the effect of foreign currency exchange rate fluctuations on the valuation of the investments underlying the hedges. The effect of hedging gains and losses, net of income taxes, is reported with other currency translation adjustments as a separate component of stockholder's equity. The Company is not hedging currency translation adjustments related to operating results. NRG does not speculate in foreign currencies.

Accounting change

In 1994, the Company adopted SFAS No. 112, "Employers' Accounting for Postretirement Benefits." SFAS No. 112 requires the accrual of certain employee costs (such as injury compensation or severance) to be paid in future periods. The adoption of this new accounting standard did not have a material effect on NRG's results of operations or financial condition.

3. BUSINESS ACQUISITIONS

Through its subsidiaries, NRG purchased equity interests during 1994 in three significant international projects, two in Germany and one in Australia. One of the investments is a 33% interest in Mitteldeutsche Braunkohlengesellschaft mbH (MIBRAG), a German corporation. MIBRAG was formed by the German government to operate mines, electric power plants and other energy-related facilities. The other German investment is a 50% interest in Saale Energie GmbH (Saale), also a German corporation. Saale owns a 400 megawatt share of a 900 megawatt power plant currently under construction near Schkopau, Germany. The Australian investment is a 37.5% interest (held by wholly-owned NRG subsidiaries Sunshine State Power BV and Sunshine State Power (No. 2) BV) in a joint venture that acquired a 1,680 megawatt coal-fired power plant in Gladstone, Queensland, Australia, which is operated by an NRG subsidiary. The total acquisition investments in these three projects through 1994, including capitalized developments costs, was approximately $100 million. Earnings from equity interests in these NRG international projects acquired in 1994 contributed $25.6 million to NRG's 1994 earnings.

On December 31, 1994, NRG, through a wholly-owned subsidiary, purchased a 50% partnership interest in Sunnyside Cogeneration Associates, a Utah joint venture (partnership) which owns and operates a 51 megawatt waste coal plant in Utah. The acquisition investment by NRG was $11.5 million. The waste coal plant is currently being operated by a 50%-owned NRG partnership.

In August 1993, NRG Energy Center, Inc., a wholly-owned subsidiary of NRG, acquired the assets of the Minneapolis Energy Center (MEC), a district heating and cooling system in downtown Minneapolis, Minnesota. The system uses steam and chilled water generating facilities to heat and cool buildings for about 90 heating and 30 cooling customers. The acquisition was reflected in the financial statements under the purchase method of accounting. Accordingly, the assets acquired and liabilities assumed in the acquisition

have been recorded at their fair values. The purchase price was $110 million, $84 million of which was financed by project debt. The purchase price primarily included facilities, long-term service agreements and goodwill. The results of operations of MEC since August 1993 have been included in the consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

The major classes of property, plant and equipment at December 31 were as follows:

	1994
	(THOUSANDS OF DOLLARS)
Facilities and equipment, including construction work in progress of $2,289	$153,221
Land and improvements	10,397
Office furnishings and equipment	2,109
Total property, plant and equipment	165,727
Accumulated depreciation	(58,093)
Net property, plant and equipment	$107,634

5. INVESTMENTS ACCOUNTED FOR BY EQUITY METHOD

A summary of NRG's significant equity-method investments which were in operation at December 31, 1994 is as follows:

NAME	GEOGRAPHIC AREA	ECONOMIC INTEREST	PURCHASED OR PLACED IN SERVICE
Various Independent Power Production Facilities	U.S.A.	45%-50%	July 1991-December 1994
Rosebud Syncoal Partnership	U.S.A.	50%	August 1993
MIBRAG	Europe	33%	January 1994
Gladstone Power Station	Australia	37.5%	March 1994
Schkopau Power Station	Europe	20.6%	Under Construction
Scudder Latin American Trust for Independent Power Energy Projects	Latin America	6.3%-12.5%	April-December 1994

Summarized financial information for investments in projects accounted for under the equity method as of and for the year ended December 31, is as follows:

	1994
	(THOUSANDS OF DOLLARS)
Operating revenues	$ 731,308
Costs and expenses	604,428
Net income	$ 126,880

Current assets	$ 452,651
Noncurrent assets	1,787,089
Total assets	$2,239,740
Current liabilities	$ 159,840
Noncurrent liabilities	1,757,057
Equity	322,843
Total liabilities and equity	$2,239,740
NRG's share of equity	$ 164,863
NRG's share of income	$ 27,155

5. INVESTMENTS ACCOUNTED FOR BY EQUITY METHOD (Continued)

In July 1994, Michigan Cogeneration Partners Limited Partnership (MCP), a partnership between subsidiaries of NRG and Cogentrix, Inc., reached an agreement with Consumers Power Company (Consumers), an electric utility headquartered in Jackson, Michigan, to terminate the power sales contract related to a 65 megawatt cogeneration facility being developed by MCP in Parchment, Michigan. The agreement to terminate the contract required Consumers to make payment to MCP of $29.8 million. As a result, NRG recorded in Other Income. A net pretax gain from the termination of this contract of $9.7 million in 1994.

In 1994, the Company recorded a pretax charge of $5.0 million to write down the carrying value of two energy projects. The charge was determined based on estimated discounted future cash flows, and is recorded in Other Income, Net.

6. RELATED PARTY TRANSACTIONS

Operating Agreements

NRG has two agreements with NSP for the purchase of thermal energy. Under the terms of the agreements, NSP charges NRG for certain incremental costs (fuel, labor, plant maintenance, and auxiliary power) incurred by NSP to produce the thermal energy. NRG paid NSP $6.6 million in 1994 under these agreements.

NRG has a renewable 10-year agreement with NSP, expiring on December 31, 2001, whereby NSP agrees to purchase refuse-derived fuel for use in certain of its boilers and NRG agrees to pay NSP a burn incentive. NRG has an agreement expiring in 2006 to sell wood by-products obtained from a thermal customer to NSP for use as fuel. Under these agreements, NRG received $1.7 million from NSP and paid $2.2 million to NSP in 1994.

Administrative Services and Other Costs

NRG and NSP have entered into an agreement to provide for the reimbursement of actual administrative services provided to each other, an allocation of NSP administrative costs and a working capital fee. Services provided by NSP to NRG are principally cash management, legal, accounting, employee relations and engineering. In addition, NRG employees participate in operating certain employee benefit plans of NSP. During 1994, NRG paid NSP $6.2 million as reimbursement for the cost of services provided.

7. NOTES RECEIVABLE

Notes receivable consist primarily of fixed and variable rate notes

secured by equity interests in partnerships and joint ventures. The weighted average interest rate on the notes was 11.2% at December 31, 1994.

8. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	1994
	(THOUSANDS OF DOLLARS)
NRG Energy Center, Inc. Senior Secured Notes Series due June 15, 2013, 7.31%	$81,498
Note payable to NSP, due December 1, 1995-2006, 5.40%-6.75%	9,466
NRG Sunnyside Inc. note payable, due December 31, 1997, 10.00%	2,375
	93,339
Less current maturities	(3,306)
	$90,033

The NRG Energy Center, Inc. notes are secured principally by MEC's long-term assets. In accordance with the terms of the note agreements, the Company is required to maintain compliance with certain financial covenants primarily related to incurring debt, disposing of Company assets, and affiliate transactions. The Company was in compliance with these covenants at December 31, 1994.

The Note Payable to NSP relates to long-term debt assumed by the Company in connection with the transfer of ownership of an RDF processing plant by NSP to the Company during 1993.

The NRG Sunnyside, Inc. note payable was issued in connection with the purchase of an equity interest in a waste-coal project during 1994.

Annual maturities of long-term debt for the years ending after December 31, 1994 are as follows:

	(THOUSANDS OF DOLLARS)
1995	$ 3,306
1996	3,762
1997	3,979
1998	3,335
1999	3,581
Thereafter	75,376
Total	$93,339

The Company has a revolving-credit agreement which may not exceed $5.0 million. At December 31, 1994, there were no borrowings under the credit agreement.

9. INCOME TAXES

The provision for income taxes consists of the following:

	1994
	(THOUSANDS OF DOLLARS)
Current	
Federal	$ 1,694
State	737
Foreign	219
	2,650
Deferred	
Federal	1,280
State	369
	1,649
Tax credits recognized	(1,827)
Total income tax expense	$ 2,472

The components of the net deferred income tax liability at December 31 were:

	1994
	(THOUSANDS OF DOLLARS)
Deferred tax liabilities	
Differences between book and tax bases of property	$13,269
Investments in projects	6,168
Goodwill	256
Other	930
Total deferred tax liabilities	20,623
Deferred tax assets	
Deferred revenue	3,645
Development costs	2,047
Deferred investment tax credits	978
Deferred compensation, accrued vacation and other reserves	992
Steam capacity rights	1,175
Other	267
Total deferred tax assets	9,104
Net deferred tax liability	$11,519

Actual income tax expense recorded differs from the statutory federal income tax rate of 35% due to state income taxes, varying tax treatment of

foreign income and expenses and tax credits recognized.

Income before income taxes includes foreign income of $25.6 million in 1994. NRG's management intends to reinvest in earnings of foreign operations indefinitely. Accordingly, U.S. income taxes and foreign withholding taxes have not been provided on the earnings of foreign subsidiary companies. The cumulative amount of undistributed pre-tax earnings of foreign subsidiaries upon which no U.S. income taxes or foreign withholding taxes have been provided is approximately $25.6 million at December 31, 1994. The additional U.S. income tax and foreign withholding tax on the unremitted foreign earnings, if repatriated, would be offset in whole or in part by foreign tax credits. Thus, it is impracticable to estimate the amount of tax that might be payable.

10. BENEFIT PLANS AND OTHER POSTRETIREMENT BENEFITS

Pension Benefits

NRG participates in NSP's noncontributory, defined benefit pension plan that covers substantially all employees. Benefits are based on a combination of year of service, the employee's highest average pay for 48 consecutive months, and Social Security benefits. Pension costs for NRG are determined and recorded under the provisions of SFAS No. 87, "Employers' Accounting for Pensions." Net annual periodic pension cost includes the following components:

	1994
	(THOUSANDS OF DOLLARS)
Service cost-benefits earned during the period	$ 654
Interest cost on projected benefit obligation	354
Actual return on assets	(58)
Net amortization and deferral	(262)
Net periodic pension cost	$ 688

The funded status of the pension plan in which NRG employees participate is as follows at December 31:

	NSP PLAN-1994	
	TOTAL NSP	NRG PORTION
	(THOUSANDS OF DOLLARS)	
Actuarial present value of benefit obligation		
Vested	$ 571,254	$ 563
Nonvested	120,420	1,016
Accumulated benefit obligation	$ 691,674	$1,579

Projected benefit obligation	$ 836,957	$4,228
Plan assets at fair value	1,165,584	5,170
Plan asset in excess of projected benefit obligation	(328,627)	(942)
Unrecognized prior service costs	(21,538)	(96)
Unrecognized net actuarial gain	370,289	1,038
Unrecognized net transitional asset	691	--
Net pension liability recorded	$ 20,815	$ --

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 8% in 1994. The rate of increase in future compensation levels used in determining the actuarial present value of the projected obligation was 5% in 1994. The assumed long-term rate of return on assets used for cost determinations under SFAS No. 87 was 8% for 1994. Plan assets consist principally of common stock of public companies and U.S. Government securities.

Postretirement Health Care

Effective January 1, 1993, NRG adopted the provisions of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." SFAS No. 106 requires the actuarial determined obligation for postretirement health care and death benefits be fully accrued by the date employees attain full eligibility for such benefits, which is generally when they reach retirement age. In conjunction with the adoption of SFAS No. 106, NRG elected to amortize on a straight-line basis over 20 years the unrecognized accumulated postretirement benefit obligation (APBO) of $1.4 million for current and future

10. BENEFIT PLANS AND OTHER POSTRETIREMENT BENEFITS (Continued)

retirees. This obligation considered 1994 plan design changes not in effect in 1993, including Medicare integration, increased retiree cost sharing, and managed indemnity measures.

The following table sets forth the funded status of the health care plan in which NRG employees participate at December 31:

	NSP PLAN-1994	
	TOTAL NSP	NRG PORTION
	(THOUSANDS OF DOLLARS)	
APBO		
Retirees	$ 132,200	$ 34
Fully eligible plan participants	21,500	359
Other active plan participants	79,400	1,319
Total APBO	233,100	1,712
Plan assets at fair value	8,000	--
APBO in excess of plan assets	225,100	1,712
Unrecognized net actuarial gain	2,300	265
Unrecognized net transition obligation	(194,000)	(1,273)

Net benefit obligation recorded.....	$ 33,400	$ 704

The assumed health care cost trend rates used in measuring the APBO at December 31, 1994 were 11.0% for those under age 65, and 7.5% for those over age 65. The assumed cost trends are expected to decrease each year until they reach 5.5% for both age groups in the year 2004, after which they are assumed to remain constant. A one percent increase in the assumed health care cost trend rate for each year would increase the APBO by approximately 13% as of December 31, 1994. Service and interest cost components of the net periodic postretirement cost would increase by approximately 16% with a similar one percent increase in the assumed health care cost trend rate. The assumed discount rate used in determining the APBO was 8% for December 31, 1994, compounded annually. The assumed long-term rate of return on assets used for cost determinations under SFAS No. 106 was 8% for 1994. The net annual periodic postretirement benefit cost recorded for 1994 consists of the following components:

	1994
	(THOUSANDS OF DOLLARS)
Service cost--benefits earned during the year .	$140
Interest cost on APBO.....	126
Amortization of transition obligation	70
Net amortization and deferral.....	--
Net periodic postretirement health care costs.....	$336

11. SALES TO SIGNIFICANT CUSTOMERS

NRG and the Ramsey/Washington Resource Recovery Project have a service agreement for waste disposal which expires in 2006. Approximately 35.5% in 1994 of the Company's operating revenues from wholly-owned operations were recognized under this contract. In addition, sales to one thermal customer amounted to 16.6% of operating revenues from wholly-owned operations in 1994.

12. FINANCIAL INSTRUMENTS

The estimated December 31 fair values of NRG's recorded financial instruments are as follows:

	1994	
	CARRYING AMOUNT	FAIR VALUE
	(THOUSANDS OF DOLLARS)	
Cash and cash equivalents.....	$17,507	$17,507
Restricted cash.....	13,817	13,817

Notes receivable, including current portion	6,802	6,802
Long-term debt, including current portion	93,339	82,694

For cash, cash equivalents and restricted cash, the carrying amount approximates fair value because of the short-term maturity of those instruments. The fair value of notes receivable is based on expected future cash flows discounted at market interest rates. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues.

NRG has entered into three forward foreign currency exchange contracts with a counterparty to hedge exposure to currency fluctuations to the extent permissible by hedge accounting requirements. Pursuant to these contracts, transactions have been executed that are designed to protect the economic value in U.S. dollars of NRG's equity investments, denominated in Australian dollars and German deutsche marks (DM). NRG's forward currency exchange contracts, in the notional amount of $93 million, hedge approximately $94 million of foreign currency denominated investments at December 31, 1994. These foreign currency exchange contracts are not reflected in NRG's balance sheet. The contracts do require cash collateral which was $6.7 million at December 31, 1994 and is included in restricted cash on NRG's balance sheet. The contracts terminate in 2004 and require foreign currency interest payments by either party during each year of the contract. If the contracts had been terminated at December 31, 1994, $4.3 million would have been payable by NRG for currency exchange rate changes to date. Management believes NRG's exposure to credit risk due to nonperformance by the counterparty to its forward exchange contracts is not significant, based on the investment grade rating of the counterparty.

13. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

The Company has noncancelable operating leases for office space. The leases require the company to pay certain annual operating costs, including maintenance, insurance and real estate taxes. Rental expense under these operating leases was $178 in 1994 (thousands of dollars). Future minimum lease commitments under these leases for the years ended after December 31, 1994 are as follows:

	(THOUSANDS OF DOLLARS)
1995	$221
1996	246
1997	131
Total	$598

Financial Guarantees

Certain of the partnerships in which NRG is an equity investor have loan agreements and debt outstanding which contain restrictive covenants. In the event that certain covenants are not met, NRG has guaranteed the contribution of $3.8 million of additional equity. No contributions of additional equity were necessary during 1994.

13. COMMITMENTS AND CONTINGENCIES (Continued)

Capital Commitments

NRG is contractually committed to additional equity investments in an existing German energy project. Such commitments are for approximately DM 36 million in 1995 and DM 35 million in 1996. The 1995 and 1996 commitments would be approximately $23 million each year, based on exchange rates in effect at December 31, 1994.

In addition, NRG is contractually committed to additional equity investments of $20.6 million in the Scudder Latin American Trust for Independent Power Energy Projects as of December 31, 1994.

14. SEGMENT REPORTING

NRG conducts its business within one industry segment--independent power generation. Operations in the United States include wholly-owned operations and investments in various domestic energy projects. International operations include investments in various international energy projects. See Note 5 for significant equity method investments.

1994	U.S.	EUROPE	ASIA PACIFIC	OTHER AMERICAS	CORPORATE/ OTHER	TOTAL
			(IN THOUSANDS)			
Consolidate operating revenues .	$ 63,970					$ 63,970
Equity in income (loss) from investments.....	(766)	$19,340	$ 8,581			27,155
Total operating revenues.....	63,204	19,340	8,581			91,125
Net income.....	19,668	19,340	8,581		$(18,051)(1)	29,538
Assets reported on a consolidated basis.....	122,087				34,380 (2)	156,467
Equity investments and loans to affiliates.....	116,073	33,389	70,641			220,103
Total assets.....	$238,160	$33,389	$70,641		$ 34,380	$376,570

(1) Includes all expenses not allocated to either consolidated operations or equity investments. This includes general, administrative and development expenses as well as other income (net), interest expense and taxes.

(2) Includes cash, debt issuance costs and other items not directly related to specific asset groups.

15. SUBSEQUENT EVENT

NRG, through wholly-owned subsidiaries, owns 45% of the San Joaquin Valley Energy Partnership (SJVEP), which owns four plants located near Fresno, California with a total capacity of 55 megawatts. Through February 1995, the plants operated under long-term Standard Offer 4 (SO4) power sales contracts with Pacific Gas and Electric (PG&E) which expire in 2017. On February 28, 1995, PG&E reached basic agreements with SJVEP to acquire the SO4 contracts. The parties entered into a bridging agreement to cover the period until all regulatory approvals are received for the transaction. The bridging agreement required SJVEP to cease power deliveries to PG&E as of February 28, 1995. The negotiated agreements will result in cost savings for PG&E customers as well as economic benefits for SJVEP. The final impact of this transaction on the financial results of NRG will not be known until the agreements have been approved and all costs associated with the idling of the facilities are known. It is expected that a one-time gain from the transaction will be recorded in the first half of 1995. SJVEP will continue to own and maintain the facilities and will explore all available options.

NRG ENERGY, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	MARCH 31,	
	1997	1996
	(THOUSANDS OF DOLLARS)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 15,802	$ 62,355
Restricted cash	10,787	97,989
Accounts receivable-trade, less allowance for doubtful accounts	11,773	6,849
Accounts receivable-affiliates	9,465	3,208
Current portion of notes receivable--affiliates	11,379	6,728
Current portion of notes receivable	4,450	--
Income taxes receivable	--	972
Inventory	2,502	1,826
Prepayments and other current assets	3,039	1,614
TOTAL CURRENT ASSETS	69,197	181,541
Property, Plant and Equipment, at Original Cost:		
In service	183,871	170,385
Under construction	24,585	7,269
	208,456	177,654
Less accumulated depreciation	(72,804)	(65,951)
Net property, plant and equipment	135,652	111,703
Other Assets:		
Investments in projects	371,132	207,859
Capitalized project costs	11,468	6,713
Notes receivable, less current portion--affiliates	56,170	32,389
Notes receivable, less current portion	9,600	--
Intangible assets, net of accumulated amortization	40,555	41,616
Debt issuance costs, net of accumulated amortization	2,838	2,892
Total other assets	491,763	291,469
TOTAL ASSETS	$696,612	$584,713

See accompanying notes.

NRG ENERGY, INC.
CONSOLIDATED BALANCE SHEETS -- (CONTINUED)
(UNAUDITED)

	MARCH 31,	
	1997	1996
	(THOUSANDS OF DOLLARS)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		

Current portion of long-term debt	$ 4,900	$ 3,804
Accounts payable--trade	2,848	4,280
Accounts payable--affiliate	45	8,596
Notes payable--affiliates	2,506	1,185
Accrued income taxes	170	--
Accrued property and sales taxes	2,842	2,510
Accrued salaries, benefits and related costs	6,343	4,941
Accrued interest	1,798	2,231
Other current liabilities	4,030	1,091
TOTAL CURRENT LIABILITIES	25,482	28,638
Long-term debt, less current portion	206,636	210,661
Deferred revenues	5,994	7,379
Deferred income taxes	11,273	9,772
Deferred investment tax credits	1,883	2,044
Deferred compensation	1,882	1,619
TOTAL LIABILITIES	253,150	260,113
Stockholder's Equity:		
Common stock; $1 par value; 1,000 shares authorized; 1,000 shares issued and outstanding	1	1
Additional paid-in capital	371,013	271,013
Retained earnings	73,104	48,869
Currency translation adjustments	(656)	4,717
TOTAL STOCKHOLDER'S EQUITY	443,462	324,600
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$696,612	$584,713

See accompanying notes.

NRG ENERGY, INC.
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1997	1996
	(THOUSANDS OF DOLLARS)	
Operating revenues:		
Revenues from wholly-owned operations	$21,665	$18,662
Equity in operating earnings of unconsolidated affiliates	8,492	5,904
Total operating revenues	30,157	24,566
Operating costs and expenses:		
Cost of operations--wholly-owned operations	12,222	9,700
Depreciation and amortization	2,176	2,083
General, administrative, and development	8,833	10,610
Total operating costs and expenses	23,231	22,393
Operating income	6,926	2,173

Other income (expense):		
Other income, net	2,018	1,908
Interest expense	(4,063)	(3,225)
Total other income (expense)	(2,045)	(1,317)
Income before income taxes	4,881	856
Income (benefit) taxes	(1,922)	(1,691)
Net Income	$ 6,803	$ 2,547

See accompanying notes.

NRG ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1997	1996
	(THOUSANDS OF DOLLARS)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 6,803	$ 2,547
Adjustments to reconcile net income to net cash provided by operating activities		
Undistributed equity in operating earnings of unconsolidated affiliates	(6,713)	(4,491)
Depreciation and amortization	2,176	2,083
Deferred income taxes and investment tax credits	2,697	(3,639)
Cash provided (used) by changes in certain working capital items	(7,219)	2,498
Cash (used) by changes in other assets and liabilities	(268)	(314)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,524)	(1,316)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in projects	(13,815)	(1,566)
Changes in notes receivable	(6,688)	1,330
Capital expenditures	(7,735)	(1,487)
Decrease (increase) in restricted cash	6,901	(88,216)
Cash distribution from project termination settlement	--	25,215
Cash from sale of project investment	6,724	--
Other, net	1,106	(746)
NET CASH USED BY INVESTING ACTIVITIES	(13,507)	(65,470)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions from parent	20,000	--
Proceeds from issuance of long-term debt	--	122,671
Principal payments on long-term debt	(605)	(569)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	19,395	122,102
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,364	55,316
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12,438	7,039
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 15,802	$ 62,355

See accompanying notes.

NRG ENERGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. ORGANIZATION AND BASIS OF PRESENTATION

NRG Energy, Inc. (the Company), a Delaware Corporation, was incorporated on May 29, 1992, as a wholly-owned subsidiary of Northern States Power Company (NSP). Beginning in 1989, the Company was doing business through its predecessor companies, NRG Energy, Inc. and NRG Group, Inc., Minnesota corporations which were merged into the Company subsequent to its incorporation. The Company and its subsidiaries and affiliates develop, build, acquire, own and operate nonregulated energy-related businesses.

In the opinion of management, the unaudited interim consolidated financial information of the Company contains all adjustments, consisting of only those of a recurring nature, necessary to present fairly the Company's financial position and results of operations. All significant inter-company accounts, transactions, and profits have been eliminated. These financial statements are for interim periods and do not include all information normally provided in annual financial statements and notes thereto for the year ended December 31, 1996 and should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 1996, contained in the Company's 1996 Annual Report. The results of operation for the interim periods are not necessarily indicative of the results that may be expected for the full year.

2. RESTRICTED CASH

Restricted cash consists primarily of cash collateral required in connection with foreign currency hedging activities and cash collateral for letters of credit issued in relation to project development activities. At March 31, 1997, the required levels of restricted cash were lower than the same period in 1996 due to primarily to the fact that NRG had just completed its $125 million bond offering in January of 1996. The proceeds from the offering were still held in the form of cash and equivalents pending future project investments.

3. PROPERTY, PLANT AND EQUIPMENT

The major classes of property, plant and equipment at March 31 were as follows:

	1997	1996
	(THOUSANDS OF DOLLARS)	
Facilities and equipment, including construction work in progress of $24,585 and $7,269	$194,499	$164,554
Land and improvements	10,397	10,397
Office furnishings and equipment	3,560	2,703
Total property, plant and equipment	208,456	177,654
Accumulated depreciation	(72,804)	(65,951)
Net property, plant and equipment	$135,652	$111,703

The primary contributors to the increased facilities and equipment is due to increased work in process at NEO for the construction of its landfill gas projects ($17 million), and investments in NRG's thermal projects ($10 million).

4. BUSINESS ACQUISITIONS

On February 6, 1997, NRG signed a subscription agreement with Energy Development Limited (EDL) to acquire up to 20% of common stock , and an additional 15% of preference shares at AUS$2.20

4. BUSINESS ACQUISITIONS (CONTINUED)

per share. EDL is an Australian company engaged exclusively in independent power generation from landfill gas, coal seam methane and natural gas (including latest technology combined cycle projects). EDL is the largest generator of power from coal seam methane in the world. The company currently operates over 200 MW of generation across five states and territories in of Australia and has commenced the development of new projects in the United Kingdom, Asia and New Zealand. On February 11, 1997 NRG made an initial purchase of 7.2% (4.5 million shares) of common stock for AUS$9.9 million (US$7.9 million).

On December 19, 1996 NRG and Nordic Power Invest AB purchased 96.6% of Bolivian Power Company Limited. NRG's ownership percentage is 58%, however, it is NRG's intent to reduce its holdings to 50% or less.

In April 1996, NRG through bankruptcy proceedings, purchased a 41.86% interest in O'Brien Environmental Energy, Inc., that was renamed NRG Generating (U.S.) Inc. (NRGG). In addition to an equity interest in NRGG, NRG acquired certain landfill gas projects in the purchase which were transferred to NEO and a cogeneration facility.

The transactions described above, represent the material transactions which occurred between the periods March 31, 1996 and 1997.

5. LONG-TERM DEBT

Long-term debt consists of the following at March 31:

	1997	1996
	(THOUSANDS OF DOLLARS)	
NRG Energy Center, Inc. Senior Secured Notes Series due June 15, 2013, 7.31%	$ 76,381	$ 78,758
Note payable to NSP, due December 1, 1995-2006 5.40%-6.75%	8,405	8,957
NRG Sunnyside, Inc. note payable, due December 31, 1997 10.00%	1,750	1,750
NRG Energy Senior Notes, due February 1, 2006 7.625%	125,000	125,000
	211,536	214,465
Less current maturities	(4,900)	(3,804)
Total	$206,636	$210,661

The NRG Energy Center, Inc. notes are secured principally by long-term assets of the Minneapolis Energy Center (MEC). In accordance with the terms of the note agreements, MEC is required to maintain compliance with certain financial covenants primarily related to incurring debt, disposing of MEC

assets, and affiliate transactions. MEC was in compliance with these covenants at March 31, 1997.

The note payable to NSP relates to long-term debt assumed by the Company in connection with the transfer of ownership of an RDF processing plant by NSP to the Company in 1993.

The NRG Sunnyside, Inc. note payable was issued in connection with the purchase of an equity interest in a waste-coal project in 1994.

The NRG Energy Senior Notes were issued in January, are unsecured and require semi-annual interest payments on February 1 and August 1.

5. LONG-TERM DEBT (CONTINUED)

Annual maturities of long-term debt for the years ending after March 31, 1997 are as follows:

	(THOUSANDS OF DOLLARS)
1997 remaining	$ 4,244
1998	3,335
1999	3,581
2000	3,841
2001	4,160
2002	4,455
Thereafter	187,920
Total	$211,536

6. INCOME TAXES

NRG and its parent, NSP, have entered into a federal and state income tax sharing agreement relative to the filing of consolidated federal and state income tax returns. The agreement provides, among other things, that (1) if NRG, along with its subsidiaries, is in a taxable income position, NRG will be currently charged with an amount equivalent to its federal and state income tax computed as if the group had actually filed separate federal and state returns, and (2) if NRG, along with its subsidiaries, is in a tax loss position, NRG will be currently reimbursed to the extent its combined losses are utilized in a consolidated return, and (3) if NRG, along with its subsidiaries, generates tax credits, NRG will be currently reimbursed to the extent its tax credits are utilized in a consolidated return.

7. ADDITIONAL PAID IN CAPITAL

NSP provided NRG with Capital contributions of $100 million between March 31, 1996 and 1997. A contribution of $80 million was made in December of 1996, used primarily for the investment in Cobee, and an additional $20 million was invested in February 1997 for various project investments including EDL.

(UNAUDITED)

NRG ENERGY, INC.
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

	MARCH 31, 1997	ADJUSTMENTS	PRO FORMA MARCH 31, 1997
	(THOUSANDS OF DOLLARS)		
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 15,802	$ 49,100 (1)	$ 64,902
Restricted cash	10,787	--	10,787
Accounts receivable--trade, less allowance for doubtful accounts	11,773	--	11,773
Accounts receivable--affiliates	9,465	--	9,465
Current portion of notes receivable--affiliates	11,379	--	11,379
Current portion of notes receivables	4,450	--	4,450
Inventory	2,502	--	2,502
Prepayments and other current assets	3,039	--	3,039
TOTAL CURRENT ASSETS	69,197	49,100	118,297
Property, Plant and Equipment, at Original Cost			
In service	183,871	--	183,871
Under construction	24,585	--	24,585
	208,456	--	208,456
Less accumulated depreciation	(72,804)	--	(72,804)
Net property, plant and equipment	135,652	--	135,652
Other Assets			
Investments in projects	371,132	257,800 (2)	628,932
Capitalized project costs	11,468	--	11,468
Notes receivable, less current portion--affiliates	56,170	--	56,170
Notes receivable, less current portion	9,600	--	9,600
Intangible assets, net of accumulated amortization	40,555	--	40,555
Debt issuance costs, net of accumulated amortization	2,838	4,000 (3)	6,838
Total other assets	491,763	261,800	753,563
TOTAL ASSETS	$696,612	$310,900	$1,007,512

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(1) Represents net cash provided in excess of the amount needed for the investment in Loy Yang and total financing costs.

(2) Net investment in Loy Yang of $257.8 million.

(3) Represents total financing costs associated with bond offering and temporary bridge financing, to be amortized over the life of the bonds.

NRG ENERGY, INC.
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET (CONTINUED)

PRO FORMA

	MARCH 31, 1997	ADJUSTMENTS	MARCH 31, 1997
	(THOUSANDS OF DOLLARS)		
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current Liabilities:			
Current portion of long-term debt	$ 4,900	$ --	$ 4,900
Accounts payable--trade	2,848	--	2,848
Accounts payable--affiliate	45	--	45
Notes payable--affiliates	2,506	--	2,506
Accrued income taxes	170	--	170
Accrued property and sales taxes	2,842	--	2,842
Accrued salaries, benefits and related costs	6,343	--	6,343
Accrued interest	1,798	--	1,798
Other current liabilities	4,030	--	4,030
TOTAL CURRENT LIABILITIES	25,482	--	25,482
Long-term debt, less current portion	206,636	250,000 (4)	456,636
Deferred revenues	5,994	--	5,994
Deferred income taxes	11,273	--	11,273
Deferred investment tax credits	1,883	--	1,883
Deferred compensation	1,882	--	1,882
Total liabilities	253,150	250,000	503,150
Stockholder's Equity			
Common stock; $1 par value; 1,000 shares authorized; 1,000 shares issued and outstanding	1	--	1
Additional paid-in capital	371,013	60,900 (5)	431,913
Retained earnings	73,104	--	73,104
Currency translation adjustments	(656)	--	(656)
Total Stockholder's Equity	443,462	60,900	504,362
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$696,612	$310,900	$1,007,512

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(4) Represents the aggregate principal amount of bonds issued in refinancing.

(5) Equity contribution of $60.9 million by NSP.

NRG ENERGY, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

	DECEMBER 31, 1996	ADJUSTMENTS	PRO FORMA DECEMBER 31, 1996
	(THOUSANDS OF DOLLARS)		
Operating Revenues:			
Revenues from wholly-owned operations	$ 71,649	$ --	$ 71,649
Equity in operating earnings of unconsolidated affiliates	32,815	15,300 (1)	48,115
Total operating revenues	104,464	15,300	119,764
Operating Costs and Expenses:			
Cost of operations--wholly-owned operations	36,562	--	36,562
Depreciation and amortization	8,378	--	8,378
General, administrative, and development	39,248	--	39,248
Total operating costs and expenses	84,188		84,188

Operating Income	20,276	15,300	35,576
Other Income (Expense):			
Other income, net	9,477	--	9,477
Interest expense	(15,430)	(18,750) (2)	(34,180)
Total other income (expense)	(5,953)	(18,750)	(24,703)
Income before Income Taxes	14,323	(3,450)	10,873
Income Taxes	(5,655)	(4,373) (3)	(10,028)
Net Income	$ 19,978	$ 923	$ 20,901

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(1) Represents estimated equity earnings from Loy Yang project for twelve months based upon historical data adjusted for certain management assumptions.

(2) Amount represents accrued interest on $250 million in bonds for twelve months at a rate of 7.5% per annum.

(3) Net tax benefit derived from interest expense on bonds.

NRG ENERGY, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

	MARCH 31, 1997	ADJUSTMENTS	PRO FORMA MARCH 31, 1997
	(THOUSANDS OF DOLLARS)		
Operating Revenues:			
Revenues from wholly-owned operations	$21,665	$ --	$21,665
Equity in operating earnings of unconsolidated affiliates	8,492	3,825 (1)	12,317
Total operating revenues	30,157	3,825	33,982
Operating Costs and Expenses			
Cost of operations--wholly-owned operations	12,222	--	12,222
Depreciation and amortization	2,176	--	2,176
General, administrative, and development	8,833	--	8,833
Total operating costs and expenses	23,231	--	23,231
Operating Income	6,926	3,825	10,751
Other Income (Expense)			
Other income, net	2,018	--	2,018
Interest expense	(4,063)	(4,688)(2)	(8,751)
Total other income (expense)	(2,045)	(4,688)	(6,733)
Income before Income Taxes	4,881	(863)	4,018
Income Taxes	(1,922)	(1,093)(3)	(3,015)
Net Income	$ 6,803	$ 230	$ 7,033

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(1) Represents estimated equity earnings from Loy Yang project for three months based upon historical data adjusted for certain management assumptions.

(2) Amount represents accrued interest on $250 million in bonds for three months at a rate of 7.5% per annum.

(3) Net tax benefit derived from expense on bonds.

TABLE OF CONTENTS

$250,000,000

NRG ENERGY INC.

7 1/2% SENIOR NOTES
DUE 2007

[NRG LOGO]

PROSPECTUS

DATED , 1997

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following is an estimate of all expenses in connection with the issuance and distribution of the securities being registered hereby:

SEC Registration Fee	$ 75,758
Accountants' fees and expenses	55,000
Attorney's fees and expenses	150,000
Printing expenses	100,000
Miscellaneous	19,242
Total	$400,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

As authorized by Section 145 of the General Corporation Law of the State of Delaware, each director and officer of NRG may be indemnified by NRG against expenses (including attorney's fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred in connection with the defense or settlement of any threatened, pending or completed legal proceedings in which he is involved by reason of the fact that he is or was a director or officer of NRG if he acted in good faith and in a manner that he reasonably believed to be in or not opposed to the best interests of NRG and, with respect to any criminal action or proceeding, if he had no reasonable cause to believe that his conduct was unlawful. However, if the legal proceeding is by or in the right of NRG, the director or officer may not be indemnified in respect of any claim, issue or matter as to which he shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to NRG unless a court determines otherwise.

In addition, Article VI of NRG's By-Laws provides that NRG shall indemnify and hold harmless, to the fullest extent permitted by applicable law, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding") by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director, officer, employee or agent of NRG or is or was serving at the request of NRG as a director, officer, employee or agent of another company or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person. NRG shall be required to indemnify a person in connection with a Proceeding initiated by such person only if the Proceeding was authorized by the Board

of Directors of NRG.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

On June 12, 1997, NRG sold $250,000,000 aggregate principal amount of its 7-1/2% Senior Notes Due 2007 (the "Old Notes") to Salomon Brothers Inc, ABN AMRO Chicago Corporation and Chase Securities Inc. (the "Initial Purchasers") for $250,000,000 less the aggregate discount to Initial Purchasers of $1,625,000. Such transaction was exempt from the registration requirements of the Securities Act of 1933, in reliance on Section 4(2) of the Securities Act on the basis that such transactions did not involve a public offering. In accordance with the agreement pursuant to which the Initial Purchasers purchased the Old Notes, such Initial Purchasers agreed to offer and sell the Old Notes only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and pursuant to offers and sales that occur outside the United States within the meaning of Regulation S under the Securities Act.

On January 29, 1996, NRG sold $125,000,000 aggregate principal amount of its 7.625% Senior Notes Due 2006 (the "1996 Notes") to Bear, Stearns & Co. Inc. and Merrill Lynch & Co. (the "1996 Note Initial Purchasers") for $125,000,000 less the aggregate discount to 1996 Note Initial Purchasers of

$812,500. Such transaction was exempt from the registration requirements of the Securities Act of 1933, in reliance on Section 4(2) of the Securities Act on the basis that such transactions did not involve a public offering. In accordance with the agreement pursuant to which the 1996 Note Initial Purchasers purchased the 1996 Notes, such 1996 Note Initial Purchasers agreed to offer and sell the 1996 Notes only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act), a limited number of institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) and pursuant to offers and sales that occur outside the United States within the meaning of Regulation S under the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

EXHIBIT	
3.1	Certificate of Incorporation of NRG.
3.2	By-Laws of NRG.
4.1	Indenture, dated as of June 1, 1997, between NRG and Norwest Bank Minnesota, National Association.
4.2	Form of Exchange Notes.
4.3	Registration Rights Agreement, dated as of June 12, 1997, by and among NRG, Salomon Brothers Inc, ABN AMRO Chicago Corporation and Chase Securities Inc.
5.1	Opinion and consent of Skadden, Arps, Slate, Meagher & Flom LLP as to legality of the Exchange Notes to be issued by NRG.*
10.1	Employment Contract, dated as of June 28, 1995, between NRG and David H. Peterson.
10.2	Indenture, dated as of January 31, 1996, between NRG and Norwest Bank Minnesota, National Association, as Trustee.
10.3	Revolving Credit Agreement, dated as of March 17, 1997, among NRG, the banks party thereto and ABN AMRO Bank, N.V. as Agent.
12.1	Computation of ratio of earnings to fixed charges.
21	Subsidiaries of NRG.
23.1	Consent of Price Waterhouse LLP.
23.2	Consent of Deloitte & Touche LLP.
23.3	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in Exhibit 5.1).*
24	Power of Attorney of certain officers and directors of NRG (contained in, and incorporated herein by reference to, Page II-4 of this Registration Statement).
25	Form T-1 Statement of Eligibility of Norwest Bank Minnesota, National Association to act as trustee under the Indenture.

99.1	Form of Letter of Transmittal.*
99.2	Form of Notice of Guaranteed Delivery.*
99.3	Form of Exchange Agent Agreement.*

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* To be filed by amendment.

ITEM 17. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by the controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, NRG Energy, Inc. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Minneapolis, in the State of Minnesota, on the 12th day of August, 1997.

NRG Energy, Inc.

By: /s/ DAVID H. PETERSON

David H. Peterson
Chairman of the Board, President
and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Leonard A. Bluhm and Valorie A. Knudsen his true and lawful attorney-in-fact and agent, with full power of

substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement (or any other registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act), and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on the dates indicated:

Signature	Title	Date
/s/ DAVID H. PETERSON David H. Peterson	Chairman of the Board, President and Chief Executive Officer	August 12, 1997
/s/ LEONARD A. BLUHM Leonard A. Bluhm	Executive Vice President and Chief Financial Officer	August 12, 1997
/s/ GARY R. JOHNSON Gary R. Johnson	Director	August 12, 1997
/s/ CYNTHIA L. LESHER Cynthia L. Lesher	Director	August 12, 1997
/s/ EDWARD J. MCINTYRE Edward J. McIntyre	Director	August 12, 1997
/s/ JOHN A. NOER John A. Noer	Director	August 12, 1997

EXHIBIT INDEX

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* To be filed by amendment.

CERTIFICATE OF INCORPORATION
OF
NRG ENERGY, INC.

FIRST. The name of the corporation is NRG Energy, Inc.

SECOND. The address of the corporation's registered office in the State of Delaware is 32 Loockerman Square, Suite L-100, Dover, Delaware 19901 (Kent County). The name of its registered agent at such address is Prentice-Hall Corporation System, Inc.

THIRD. The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH. The total number of shares which the corporation shall have authority to issue is 1,000 shares of capital stock, and the par value of each such share is $1.00 per share.

FIFTH. The name and mailing address of the incorporator is Mary Jo Nasiedlak, 1221 Nicollet Mall, Suite 700, Minneapolis, Minnesota 55403.

SIXTH. The initial Board of Directors of the corporation is as follows:

James T. Doudiet
Roland J. Jensen
Edward J. McIntyre
Hazel R. O'Leary
David H. Peterson

SEVENTH. The Board of Directors of the corporation is expressly authorized to make, alter or repeal by-laws of the corporation, but the stockholders may make additional by-laws and may alter or repeal any by-law, whether adopted by them or otherwise.

EIGHTH. Elections of directors need not be by written ballot except and to the extent provided in the by-laws of the corporation.

NINTH. No director shall be personally liable to the corporation or any of its stockholders for monetary damages for

breach of fiduciary duty as a director, except for liability (a) for any breach of the director's duty of loyalty to the corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) pursuant to Section 174 of the General Corporation Law of Delaware or (d) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Article Eighth by the stockholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

The undersigned incorporator hereby acknowledges that the foregoing certificate of incorporation is his act and deed and that the facts stated therein are true.

BY-LAWS
OF
NRG ENERGY, INC.

ARTICLE I
Stockholders

Section 1.1. Annual Meetings. An annual meeting of stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

Section 1.2. Special Meetings. Special meetings of stockholders for any purpose or purposes may be called at any time by the Board of Directors, or by a committee of the Board of Directors which has been duly designated by the Board of Directors and whose powers and authority, as expressly provided in a resolution of the Board of Directors, include the power to call such meetings, but such special meetings may not be called by any other person or persons.

Section 1.3. Notice of Meetings. Whenever stock-holders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the certificate of incorporation or these by-laws, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the mail, postage prepaid, directed to the stockholder at his, her or its address as it appears on the records of the corporation.

Section 1.4. Adjournments. Any meeting of stock-holders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 1.5. Quorum. Except as otherwise provided by law, the certificate of incorporation or these by-laws, at each meeting of stockholders the presence in person or by proxy of the holders of shares of stock having a majority of the votes which could be cast by the holders of all outstanding shares of stock entitled to vote at the meeting shall be necessary and sufficient to constitute a quorum. In the absence of a quorum, the stockholders so present may, by majority vote, adjourn the meeting from time to time in the manner provided in Section 1.4 of these by-laws until a quorum shall attend. Shares of its own stock belonging to the corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

Section 1.6. Organization. Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in his or her absence by the Vice Chairman of the Board, if any, or in his or her absence by the President, or in his or her absence by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 1.7. Voting; Proxies. Except as otherwise provided by the certificate of incorporation, each stock-holder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by him, her or it which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him, her or it by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary

of the corporation. Voting at meetings of stockholders need not be by written ballot and need not be conducted by inspectors of election unless so determined by the holders of shares of stock having a majority of the votes which could be cast by the holders of all outstanding shares of stock entitled to vote thereon which are present in person or by proxy at such meeting. At all meetings of stockholders for the election of directors, a plurality of the votes cast shall be sufficient to elect. All other elections and questions shall, unless otherwise provided by law, the certificate of incorporation or these by-laws, be decided by the vote of the holders of shares of stock having a majority of the votes which could be cast by the holders of all shares of stock entitled to vote thereon which are present in person or represented by proxy at the meeting.

Section 1.8. Fixing Date for Determination of Stockholders of Record. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date: (1) in the case of determination of stockholders entitled to vote at any meeting of stockholders or adjournment thereof, shall, unless otherwise required by law, not be more than sixty nor less than ten days before the date of such meeting; (2) in the case of determination of stockholders entitled to express consent to corporate action in writing without a meeting, shall not be more than ten days from the date upon which the resolution fixing the record date is adopted by the Board of Directors; and (3) in the case of any other action, shall not be more than sixty days prior to such other action. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (2) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting when no prior action of the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation in accordance with applicable law, or, if prior action

by the Board of Directors is required by law, shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action; and (3) the record date for determining stock-holders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stock-holders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 1.9. List of Stockholders Entitled to Vote. The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. Upon the willful neglect or refusal of the directors to produce such a list at any meeting for the election of directors, they shall be ineligible for election to any office at such meeting. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 1.10. Action By Consent of Stockholders. Unless otherwise restricted by the certificate of incorpo-ration, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE II
Board of Directors

Section 2.1. Number; Qualifications. The Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. Directors need not be stockholders.

Section 2.2. Election; Resignation; Removal; Vacancies. The Board of Directors shall initially consist of the persons named as directors in the certificate of incorporation, or a subsequent action of the incorporator, and each director so elected shall hold office until the first annual meeting of stockholders or until his or her successor is elected and qualified. At the first annual meeting of stockholders and at each annual meeting thereafter, the stockholders shall elect directors, each of whom shall hold office for a term of one year or until his or her successor is elected and qualified. Any

director may resign at any time upon written notice to the corporation. Any newly created directorship or any vacancy occurring in the Board of Directors for any cause may be filled by a majority of the remaining members of the Board of Directors, although such majority is less than a quorum, or by a plurality of the votes cast at a meeting of stockholders, and each director so elected shall hold office until the expiration of the term of office of the director whom he or she has replaced or until his or her successor is elected and qualified.

Section 2.3. Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board of Directors may from time to time determine, and if so determined notices thereof need not be given.

Section 2.4. Special Meetings. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the President, any Vice President, the Secretary, or by any member of the Board of Directors. Notice of a special meeting of the Board of Directors shall be given by the person or persons calling the meeting at least twenty-four hours before the special meeting.

Section 2.5. Telephonic Meetings Permitted. Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting thereof by means of conference telephone or similar communications equipment in which all persons participating in the meeting can hear each other, and

participation in the meeting pursuant to this by-law shall constitute presence in person at such meeting.

Section 2.6. Quorum; Vote Required for Action. At all meetings of the Board of Directors a majority of the whole Board of Directors shall constitute a quorum for the transaction of business. Except in cases in which the certificate of incorporation or these by-laws otherwise provide, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.7. Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, if any, or in his or her absence by the Vice Chairman of the Board, if any, or in his or her absence by the President, or in their absence by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.8. Informal Action by Directors. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or such committee.

ARTICLE III
Committees

Section 3.1. Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a

member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors, shall

have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation (if any) to be affixed to all papers which may require it.

Section 3.2. Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article III of these by-laws.

ARTICLE IV
Officers

Section 4.1. Executive Officers; Election; Qualifications; Term of Office; Resignation; Removal; Vacancies. The Board of Directors shall elect a President and Secretary, and it may, if it so determines, choose a Chairman of the Board and a Vice Chairman of the Board from among its members. The Board of Directors may also choose one or more Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding his or her election, and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice to the corporation. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the corporation. Any number of offices may be held by the same person. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

Section 4.2. Powers and Duties of Executive Officers. The officers of the corporation shall have such powers and duties in the management of the corporation as may be prescribed by the Board of Directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board of Directors. The Board of Directors may require any officer, agent or employee to give security for the faithful performance of his or her duties.

ARTICLE V
Stock

Section 5.1. Certificates. Every holder of stock shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman or a Vice Chairman of the Board of Directors, if any, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the corporation, certifying the number of shares owned by him, her or it in the corporation. Any of or all the

signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent, or registrar at the date of issue.

Section 5.2. Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or his, her or its legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

ARTICLE VI
Indemnification

Section 6.1. Right to Indemnification. The corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss

suffered and expenses reasonably incurred by such person. The corporation shall be required to indemnify a person in connection with a proceeding initiated by such person only if the proceeding was authorized by the Board of Directors of the corporation.

Section 6.2. Repayment of Expenses. The corporation shall pay the expenses incurred in defending any proceeding in advance of its final disposition; provided, however, that the payment of expenses incurred by a director or officer in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the director or officer to repay all amounts advanced if it should be ultimately determined that the director or officer is not entitled to be indemnified under this Article or otherwise.

Section 6.3. Claims. If a claim for indemnification or payment of expenses under this Article is not paid in full within sixty days after a written claim therefor has been received by the corporation the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

Section 6.4. Non-Exclusivity of Rights. The rights conferred on any person by this Article VI shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the certificate of incorporation, these by-laws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 6.5. Other Indemnification. The corporation's obligation, if any, to indemnify any person who was or is serving at its request as a

director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or non-profit entity shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or non-profit entity.

Section 6.6. Amendment or Repeal. Any repeal or modification of the foregoing provisions of this Article VI shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

ARTICLE VII
Miscellaneous

Section 7.1. Fiscal Year. The fiscal year of the corporation shall be determined by resolution of the Board of Directors.

Section 7.2. Seal. The Board of Directors shall determine whether or not the corporation shall have a corporate seal. The corporate seal (if any) shall have the name of the corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors.

Section 7.3. Waiver of Notice of Meetings of Stockholders, Directors and Committees. Any written waiver of notice, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice.

Section 7.4. Interested Directors; Quorum. No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his, her or their votes are counted for such purpose, if: (1) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by this affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (2) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the

stockholders; or (3) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction. Nothing in this Section 7.4 shall be construed to imply that any contract or transaction between the corporation and Northern State Power

Company ("NSP"), or between the corporation and any other corporation that is a direct or indirect wholly-owned subsidiary of NSP, shall be void or voidable, whether or not such contract or transaction complies with the requirements of clauses (1), (2) or (3) of the immediately preceding sentence.

Section 7.5. Form of Records. Any records maintained by the corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs, or any other information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time. The corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

Section 7.6. Amendment of By-laws. These by-laws may be altered or repealed, and new by-laws made, by the Board of Directors, but the stockholders may make additional by-laws and may alter and repeal any by-laws whether adopted by them or otherwise.

NRG ENERGY, INC.

to

NORWEST BANK MINNESOTA,
NATIONAL ASSOCIATION,
as Trustee

INDENTURE

Dated as of June 1, 1997

$250,000,000
7 1/2% Senior Notes Due 2007

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INDENTURE, dated as of June 1, 1997 between NRG ENERGY, INC., a Delaware corporation (herein called the "Issuer"), and NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, as trustee (herein called the "Trustee").

W I T N E S S E T H:

WHEREAS, the Issuer has duly authorized the issue of $250,000,000 aggregate principal amount of its 7 1/2% Senior Notes Due 2007 (the "Securities") and, to provide, among other things, for the authentication, delivery and administration thereof, the Issuer has duly authorized the execution and delivery of this Indenture; and

WHEREAS, all things necessary to make the Securities, when executed by the Issuer and authenticated and delivered by the Trustee as in this Indenture provided, the valid, binding and legal obligations of the Issuer, and to constitute these presents a valid indenture and agreement according to its terms, have been done;

NOW, THEREFORE:

In consideration of the premises and the purchases of the Securities by the Holders (as defined herein) thereof, the Issuer and the Trustee mutually covenant and agree for the equal and proportionate benefit of the respective Holders from time to time of the Securities as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 Certain Terms Defined. The following terms (except as otherwise expressly provided) for all purposes of this Indenture shall have the respective meanings specified in this Section. All accounting terms used herein and not expressly defined shall have the meanings given to them in accordance with GAAP (as defined herein). The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. The terms defined in this Article include the plural as well as the singular.

"Agent Members" has the meaning set forth in Section 2.4(c).

"Applicable Premium" means, with respect to a Security at any time, the excess (if any) of (i) the sum of the present values of all of the remaining scheduled payments of principal of and interest on the Securities from the applicable redemption date through the Stated Maturity, of such Security, computed on a semi-annual basis by discounting such payments (assuming a 360-day year consisting of twelve 30-day months and using a rate equal to the Treasury Rate plus 25 basis points) over (ii) the aggregate unpaid principal amount of the Security to be redeemed plus any accrued but unpaid interest thereon. The Applicable Premium shall be computed as of the third Business Day prior to the applicable redemption date, and certified, by an Investment Banker.

"Board of Directors" means either the Board of Directors of the Issuer or any committee of such Board duly authorized to act on behalf of such Board.

"Business Day" means a day which is neither a legal holiday nor a day on which banking institutions (including, without limitation, the Federal Reserve System) are authorized or required by law or regulation to close in The City of New York or the city of Minneapolis, Minnesota.

"Capital Stock" means, with respect, to any Person, any and all outstanding shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of, or interests in (however designated), the equity of such Person including, without limitation, all Common Stock and Preferred Stock and partnership and joint venture interests of such Person.

"Cedel" has the meaning set forth in Section 2.4(b).

"Change of Control" means the occurrence of one or more of the following events: (i) NSP (or its successors) shall cease to own a majority of the outstanding Voting Stock of the Issuer, (ii) at any time following the occurrence of the event described in clause (i), a Person or group (as that term is used in Section 13(d)(3) of the Exchange Act) of Persons (other than NSP) shall have become the beneficial owner directly or indirectly, or shall have

acquired the absolute power to direct the vote, of more than 35% of the outstanding Voting Stock of the Issuer or (iii) during any twelve-month period, individuals who at the beginning of such period constitute the Board of Directors (together with any new directors whose election or nomination was approved by a majority of the directors then in office who were either directors at the beginning of such period or who were previously so approved) shall cease for any reason to constitute a majority of the Board of Directors. Notwithstanding the foregoing, a Change of Control shall be deemed not to have occurred if one or more of the above events occurs or circumstances exist and, after giving effect thereto, the Securities are rated Investment Grade.

"Change of Control Offer" has the meaning set forth in Section 3.9(b).

"Commission" means the Securities and Exchange Commission, as from time to constituted, created under the Exchange Act, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body (if any) performing such duties at such time.

"Common Stock" means, with respect to any Person, Capital Stock of such Person that does not rank prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of any other class of Capital Stock of such Person.

"Consolidated Current Assets" and "Consolidated Current Liabilities" mean such assets and liabilities of the Issuer on a consolidated basis as shall be determined in accordance with GAAP to constitute current assets and current liabilities, respectively, provided that inventory shall be valued at the lower of cost (using the average life method) or market.

"Consolidated Net Tangible Assets" means, as of the date of determination thereof, Consolidated Total Assets as of such date less the sum of (i) Consolidated Current Liabilities and (ii) Intangible Assets.

"Consolidated Total Assets" means, as of the date of any determination thereof, the total amount of all assets of the Issuer determined on a consolidated basis in accordance with GAAP.

"Corporate Trust Office" means the principal office of the Trustee at which the corporate trust business of the Trustee shall, at any particular time, be principally administered, which office is, at the date as of which this Indenture is dated, located at Corporate Trust, Norwest Center, Sixth and Marquette, Minneapolis, Minnesota 55479-0069.

"Euroclear" has the meaning set forth in Section 2.4(b).

"Event of Default" means any event or condition specified as such in Section 4.1 hereof that shall have continued for the period of time, if any, therein designated.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"GAAP" means generally accepted accounting principles in the U.S. applied on a basis consistent with the principles, methods, procedures and practices employed in the preparation of the Issuer's audited financial statements, including, without limitation, those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

"Global Security" has the meaning set forth in Section 2.4(c).

"Holder," "Holder of Securities," "Securityholder" and other similar terms mean the registered holder of any Security.

"Indebtedness" has the meaning set forth in Section 3.8.

"Indenture" means this instrument as originally executed and delivered or, if amended or supplemented as herein provided, as so amended or supplemented.

"Initial Purchasers" means Salomon Brothers Inc, ABN AMRO Chicago Corporation and Chase Securities Inc.

"Intangible Assets" means, as of the date of determination thereof, all assets of the Issuer properly classified as intangible assets determined on a consolidated basis in accordance with GAAP.

"Interest Payment Date" means, with respect to any Security, the Stated Maturity of an installment of interest on such Security.

"Investment Banker" means an independent investment banking

institution of national standing selected by the Issuer.

"Investment Grade" means, with respect to the Securities, a rating of Baa3 or higher by Moody's Investors Service, Inc., and a rating of BBB- or higher by Standard and Poor's Ratings Group (or, if either or both of the foregoing rating agencies ceases to rate the Securities for reasons beyond the control of the Issuer, equivalent ratings by one or two (as the case may be) other nationally recognized statistical rating organizations (as such term is defined in Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act)); provided that if either of the foregoing rating agencies shall change its ratings designations while the Securities are Outstanding, "Investment Grade" shall mean the lowest ratings designation signifying "investment grade" issued by such agencies (or higher).

"Issuer" means NRG Energy, Inc., a Delaware corporation, and, subject to Article 8 hereof, its successors and assigns.

"Legend" has the meaning set forth in Section 2.6(d).

"NSP" means Northern States Power Company, a Minnesota corporation.

"Officers' Certificate" means a certificate signed on behalf of the Issuer by the Chairman of the Board

of Directors or the President or any Vice President and by the Chief Financial Officer or the Secretary or any Assistant Secretary or the Treasurer or any Assistant Treasurer of the Issuer and delivered to the Trustee. Each such certificate shall include the statements provided for in Section 10.5 hereof, if and to the extent required thereby.

"Opinion of Counsel" means an opinion in writing signed by legal counsel satisfactory to the Trustee, who may be an employee of or counsel to the Issuer. Each such opinion shall include the statements provided for in Section 10.5 hereof, if and to the extent required thereby.

"Original Issue Date" of any Security (or portion thereof) means the earlier of (a) the date of such Security or (b) the date of any Security (or portion thereof) in exchange for which such Security was issued (directly or indirectly) on registration of transfer, exchange or substitution.

"Outstanding", when used with reference to Securities, shall, subject to the provisions of Section 6.4 hereof, mean, as of any particular time, all Securities authenticated and delivered by the Trustee under this Indenture, except:

1. Securities theretofore canceled by the Trustee or delivered to the Trustee for cancelation, or which shall have been paid pursuant to Section 2.7 hereof (other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands the Securities are valid obligations of the Issuer); and

2. Securities, or portions thereof, for the payment or redemption of which moneys or direct obligations of the United States of America backed by its full faith and credit in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Issuer) or shall have been set aside, segregated and held in trust by the Issuer (if the Issuer shall act as its own paying agent), provided that if such Securities are to be redeemed prior to the maturity thereof, notice of such redemption shall have been herein provided, or

provision satisfactory to the Trustee shall have been given as herein provided, or provision satisfactory to the Trustee shall have been made for giving such notice.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Preferred Stock" means, with respect to any Person, any and all shares, interests, participation or other equivalents (however designated, whether voting or non-voting) of preferred or preference Capital Stock of such Person that is outstanding or issued on or after the date of this Indenture.

"Purchase Agreement" means the Purchase Agreement dated June 12, 1997, between the Issuer and the Initial Purchasers.

"Regulation S" has the meaning set forth in Section 2.4(b).

"Repurchase Date" has the meaning set forth in Section 3.9(b).

"Responsible Officer", when used with respect to the Trustee, means any officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Restricted Regulation S Global Security" has the meaning set forth in Section 2.4(b).

"Rule 144A" has the meaning set forth in Section 2.4(b).

"Rule 144A Global Security" has the meaning set forth in Section 2.4(b).

"Rule 144A Information" has the meaning specified in Section 3.7.

"Securities Act" means the Securities Act of 1933, as amended.

"Security" or "Securities" has the meaning set forth in the recitals above.

"Securities Register" and "Security Registrar" have the respective meanings specified in Section 2.6.

"Stated Maturity" means, with respect to any debt security or any installment of interest thereon, the date specified in such debt security as the fixed date on which any principal of such debt security or any such installment of interest is due and payable.

"Treasury Rate" means, with respect to any Security to be redeemed, a per annum rate (expressed as a semiannual equivalent and as a decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield) determined and certified by an Investment Banker to be the per annum rate equal to the semiannual yield to maturity of United States Treasury securities maturing on the Average Life Date (as defined below) of such Security, as determined by interpolation between the most recent weekly average yields to maturity for two series of Treasury securities, (A) one maturing as close as possible to, but earlier than, the Average Life Date of such Security and (B) the other maturing as close as possible to, but later than, the Average Life Date of such Security, in each case as published in the most recent H.15(519) (or, if a weekly average yield to maturity for United States Treasury securities maturing on the Average Life Date of such Security is reported in the most recent H.15(519), as published in H.15(519)). "H.15(519)" means "Statistical Release H.15(519), Selected Interest Rates," or any successor

publication, published by the Board of Governors of the Federal Reserve System. The "most recent H.15(519)" means the latest H.15(519) that is published prior to the close of business on the third Business Day prior to the applicable redemption date. The "Average Life Date" for any Security to be redeemed shall be the date that follows the redemption date by a period equal to the Remaining Weighted Average Life of such Security. The "Remaining Weighted Average Life" of such Security with respect to the redemption of such Security is the number of days equal to the quotient obtained by dividing (A) the sum of the products obtained by multiplying (1) the amount of each remaining principal payment on such Security by (2) the number of days from and including the redemption date, to but excluding the scheduled payment date of such

principal payment by (B) the unpaid principal amount of such Security.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

"Trustee" means the entity identified as "Trustee" in the first paragraph hereof until the appointment of a successor trustee pursuant to Article 5, after which "Trustee" shall mean such successor trustee.

"Unrestricted Regulation S Global Security" has the meaning set forth in Section 2.4(b).

"U.S. Depositary" has the meaning set forth in Section 2.4(b).

"U.S. Government Obligations" means securities that are (i) direct and unconditional obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by, and acting as an agency or instrumentality of, the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company subject to federal or state supervision or examination with a combined capital and surplus of at least $100,000,000, as custodian with respect to any such U.S. Government Obligations or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors (or persons fulfilling similar responsibilities) of such Person.

"1996 Senior Notes" means $125,000,000 aggregate principal amount of 7.625% Senior Notes Due 2006 of the Issuer, issued pursuant to an Indenture dated as of January 31, 1996, between the Issuer and the Trustee.

ARTICLE II

ISSUE, EXECUTION, FORM AND REGISTRATION OF SECURITIES

SECTION 2.1 Authentication and Delivery of Securities. Upon the execution and delivery of this Indenture, or from time to time thereafter, Securities in an aggregate principal amount not in excess of $250,000,000 (except as otherwise provided in Section 2.7 hereof) may be executed by the Issuer and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Securities to or upon the written order of the Issuer, signed by both (a) its Chairman of the Board of Directors, or any Vice Chairman of the Board of Directors, or its President or any Vice President and (b) by its Chief Financial Officer, or its Secretary or any Assistant Secretary, or its Treasurer or any Assistant Treasurer without any further action by the Issuer. The Securities shall be direct, unconditional obligations of the Issuer and shall rank pari passu without preference among themselves and equally in priority of payment with all other present and future unsubordinated, unsecured indebtedness of the Issuer.

SECTION 2.2 Execution of Securities. The Securities shall be signed on behalf of the Issuer by both (a) its Chairman of the Board of Directors or any Vice Chairman of the Board of Directors or its President or any Vice President and (b) by its Chief Financial Officer or its Secretary or its Assistant Secretary or its Treasurer or any Assistant Treasurer, under its corporate seal which may, but need not, be attested. Such signatures may be the manual or facsimile signatures of the present or any future such officers. The seal of the Issuer may be in the form of a facsimile thereof and may be impressed, affixed, imprinted or otherwise reproduced on the Securities. Typographical and other minor errors or defects in any such reproduction of the seal or any such signature shall not affect the validity or enforceability of any Security that has been duly authenticated and delivered by the Trustee.

In case any officer of the Issuer who shall have signed any of the Securities shall cease to be such officer before the Security so signed shall be authenticated and delivered by the Trustee or disposed of by the Issuer, such Security nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Security had not ceased to be such officer of the Issuer; and any Security may be signed on behalf of the Issuer by such Persons as, at the actual date of the execution of such Security, shall be the proper officers of the Issuer, although at the date of the execution and delivery of this Indenture any such Person was not such officer.

SECTION 2.3 Certificate of Authentication. Only such Securities as shall bear thereon a certificate of authentication substantially in the form recited in the form of Security attached as Exhibit A hereto, executed by that Trustee by manual signature of one of its authorized signatories, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee upon any Security executed by the Issuer shall be conclusive evidence that the Security so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

SECTION 2.4 Form, Denomination and Date of Securities; Payments of Interest. (a) The Securities and the Trustee's certificate of authentication shall be substantially in the form set forth in the form of Security attached as Exhibit A hereto. The Securities shall be numbered, lettered, or otherwise distinguished in such manner or in accordance with such plans as the officers of the Issuer executing the same may determine with the approval of the Trustee.

Any of the Securities may be issued with appropriate insertions, omissions, substitutions and variations and may have imprinted or otherwise reproduced thereon such legend or legends, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto, or with the rules of any securities market in which the Securities are admitted to trading, or to conform to general usage.

(b) Securities offered and sold in reliance on Regulation S under the

Securities Act ("Regulation S") as

provided in the Purchase Agreement shall be issued in the form of a Permanent Global Security (as defined herein) in definitive, fully registered form without interest coupons substantially in the form of Security attached as Exhibit A hereto with such legends as may be applicable thereto in accordance with such form, which shall be deposited on behalf of the purchasers of the Securities represented thereby with the Trustee, at the Corporate Trust Office, as custodian for The Depository Trust Company (hereinafter, the "U.S. Depositary") and registered in the name of a nominee of the U.S. Depositary, duly executed by the Issuer and authenticated by the Trustee as hereinafter provided, for credit to their respective accounts (or to such other accounts as they may direct) at Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") or Cedel, S.A. ("Cedel"). Until the termination of the restricted period (as defined in Regulation S) with respect to the offer and sale of the Securities, interests in such Global Security may only be held by the Agent Members (as defined herein) for Euroclear and Cedel. Until such time as the restricted period shall have terminated, such Global Security shall be referred to herein as the "Restricted Regulation S Global Security." After such time as the restricted period shall have terminated, such Global Security shall be referred to herein as the "Unrestricted Regulation S Global Security." The aggregate principal amount of the Restricted Regulation S Global Security and the Unrestricted Regulation S Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the U.S. Depositary, as hereinafter provided. The Issuer shall notify the Trustee of the termination of the restricted Period by furnishing to the Trustee a certificate substantially in the form of Exhibit B hereto.

Securities offered and sold in reliance on Rule 144A under the Securities Act ("Rule 144A") as provided in the Purchase Agreement shall be issued in the form of a permanent Global Security (the "Rule 144A Global Security") in definitive fully registered form without interest coupons substantially in the form of Security attached as Exhibit A hereto with such legends as may be applicable thereto in accordance with the form of such Security deposited with the Trustee, at the Corporate Trust Office, as custodian for the U.S. Depositary, duly executed by the Issuer and authenticated by the Trustee as hereinaf-

ter provided. The aggregate principal amount of the Rule 144A Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the U.S. Depositary, and the U.S. Depositary or its nominee, as the case may be, as hereinafter provided.

(c) (i) This Section 2.4(c)(i) shall apply only to Securities in global form ("Global Securities") deposited with the U.S. Depositary.

The Issuer shall execute and the Trustee shall, in accordance with this Section 2.4(c)(1), authenticate and deliver initially Global Securities that (a) shall be registered in the name of the U.S. Depositary for such Global Securities or the nominee of such U.S. Depositary, (b) shall be deposited on behalf of Agent Members (as defined herein) with the Trustee as custodian for the U.S. Depositary and (c) shall bear legends substantially to the following effect:

> "UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF [INSERT NAME AND ADDRESS OF U.S. DEPOSITARY] TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN EXCHANGE FOR THIS CERTIFICATE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF [INSERT NAME OF U.S. NOMINEE OF

DEPOSITARY], OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF [INSERT NAME OF U.S. DEPOSITARY], OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF [INSERT NAME OF U.S. DEPOSITARY] (AND ANY PAYMENT HEREON IS MADE TO [INSERT NAME OF NOMINEE OF U.S. DEPOSITARY]), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN [INSERT NAME OF U.S. DEPOSITARY OR A NOMINEE THEREOF] IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, [INSERT NAME OF NOMINEE OF U.S. DEPOSITARY] HAS AN INTEREST HEREIN".

"TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF [INSERT NAME OF U.S. DEPOSITARY] OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL

SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 2.6 OF THE INDENTURE REFERRED TO ON THE REVERSE HEREOF".

Members of, or participants in, a U.S. Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the U.S. Depositary or under any Global Security, and the U.S. Depositary may be treated by the Issuer, the Trustee, and any agent of the Issuer or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Trustee or any agent of the Issuer or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the U.S. Depositary or impair, as between the U.S. Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any security.

(c) (ii) This Section 2.4(c)(ii) shall apply only to the Global Security deposited on behalf of the purchasers of the Securities represented thereby with the Trustee as custodian for the U.S. Depositary for credit to their respective accounts (or to such other accounts as they may direct) at Euroclear or Cedel insofar as interests in the Global Security are held by the Agent Members for Euroclear or Cedel.

The provisions of the "Operating Procedures of the Euroclear System" and the "Terms and Conditions Governing Use of Euroclear" and the "Management Regulations" and "Instructions to Participants" of Cedel, respectively, shall be applicable to such Global Security insofar as interests therein are held by the Agent Members for Euroclear and Cedel. Account holders or participants in Euroclear and Cedel shall have no rights under this Indenture with respect to the Global Security, and the nominee of the U.S. Depositary may be treated by the Issuer and the Trustee and any agent of the Issuer or the Trustee as the owner of the Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Trustee or any agent of the Issuer or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the U.S. Depositary or impair, as between the U.S. Deposi-

tary and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any security.

(d) Each Security shall be dated the date of its authentication and shall bear interest from the applicable date, and shall be payable on the dates specified on the face of the form of Security attached as Exhibit A hereto.

(e) The Person in whose name any Security is registered at the close

of business on the record date specified in the Securities with respect to any Interest Payment Date shall be entitled to receive the interest, if any, payable on such Interest Payment Date notwithstanding any transfer or exchange of such Security subsequent to the record date and prior to such Interest Payment Date, except if and to the extent the Issuer shall default in the payment of the interest due on such Interest Payment Date, in which case such defaulted interest shall be paid to the Persons in whose names Outstanding Securities are registered at the close of business on a subsequent special record date, to be established (together with the related payment date) by the Issuer with the consent of the Trustee. Such special record date shall not be more than 15 nor less than 10 Business Days prior to the payment date. Not more than 15 days prior to the special record date, the Issuer (or the Trustee, in the name of and at the expense of the Issuer) shall mail to Holders a notice that states the special record date, the related payment date and the amount of interest to be paid. Notice of the proposed payment of such defaulted interest and the special record date therefor having been mailed as aforesaid, such defaulted interest shall be paid to the Persons in whose names the Securities are registered on such special record date.

(f) The Securities shall be issuable in the denominations specified in the form of Security attached as Exhibit A hereto.

SECTION 2.5 Global Securities. (a) Portions of a Global Security deposited with the U.S. Depositary pursuant to Section 2.4 shall be transferred in certificated form to the beneficial owners thereof only if such transfer complies with Section 2.6 of this Indenture and (i) the U.S. Depositary notifies the Issuer that it is unwilling or unable to continue as U.S. Depositary for such

Global Security or if at any time such U.S. Depositary ceases to be a "clearing agency" registered under the Exchange Act and a successor depositary is not appointed by the Issuer within 90 days of such notice, or (ii) an Event of Default has occurred and is continuing with respect to the Securities and payment of principal thereof and interest thereon has been accelerated.

(b) Portions of any Global Security that are transferable to the beneficial owners thereof pursuant to this Section 2.5 shall be surrendered by the U.S. Depositary to the Trustee at its New York office for registration of transfer, in whole or from time to time in part, without charge and the Trustee shall authenticate and deliver, upon such registration of transfer of each portion of such Global Security, an equal aggregate principal amount of Securities of authorized denominations. Any portion of a Global Security whose registration is transferred pursuant to this Section 2.5 shall be executed, authenticated and delivered only in the denominations specified in the form of Security attached as Exhibit A hereto and registered in such names as the U.S. Depositary shall direct. Any Security delivered in exchange for a portion of the Rule 144A Global Security shall bear the Legend regarding transfer restrictions applicable to the Rule 144A Global Security set forth on the form of Security attached as Exhibit A hereto. Any Security delivered in exchange for a portion of the Restricted or Unrestricted Regulation S Global Security shall bear the Legend regarding transfer restrictions applicable to the Restricted or Unrestricted Registration S Global Security, as the case may be, set forth on the form of Security attached as Exhibit A hereto.

(c) Subject to the provisions of Section 2.4(c) above, the registered Holder of any Global Security may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Securities.

(d) In the event of the occurrence of any of the events specified in paragraph (a) of this Section 2.5, the Issuer shall promptly make available to the Trustee a reasonable supply of certificated Securities in definitive fully, registered form without interest coupons.

(e) The Global Security issued and authenticated pursuant to the first paragraph of Section 2.4(b) (both before and after the expiration of the restricted period) and the Rule 144A Global Security shall each be assigned separate securities identification, or "CUSIP," numbers.

SECTION 2.6 Registration, Registration of Transfer and Exchange. (a) The Issuer shall keep at each office or agency to be maintained for the purpose as provided in Section 3.2 hereof a register or registers (collectively referred to as the "Securities Register") in which, subject to such reasonable regulations as it may prescribe, it will register or cause to be registered, the transfer of Securities as provided in this Article. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided. If at any time the Trustee shall not be serving as Security Registrar, at all reasonable times such Securities Register shall be open for inspection by the Trustee.

Upon due presentation for registration of transfer of any Security at each such office or agency, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Security or Securities in authorized denominations for a like aggregate principal amount.

Any Security or Securities may be exchanged for a Security or Securities in other authorized denominations, in an equal aggregate principal amount. Securities to be exchanged shall be surrendered at each office or agency to be maintained by the Issuer for the purpose as provided in Section 3.2 hereof, and the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor the Security or Securities which the Securityholder making the exchange shall be entitled to receive, bearing numbers not contemporaneously outstanding.

All Securities presented for registration of transfer, exchange, redemption or payment shall (if so required by the Issuer or the Trustee) be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Issuer and the Trustee duly executed by, the Holder or its attorney duly authorized in writing.

The Issuer or Trustee shall not be required to exchange or register a transfer of (a) any Securities for a period of 15 days next preceding the first mailing of notice of redemption of Securities to be redeemed or (b) any Securities selected, called or being called for redemption except, in the case of any Security where public notice has been given that such Security is to be redeemed in part, the portion thereof not so to be redeemed.

All Securities issued upon any registration of transfer or exchange of Securities shall be valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

(b) Notwithstanding any provision to the contrary herein, so long as a Global Security remains outstanding and is held by or on behalf of the U.S. Depositary, transfers of a Global Security, in whole or in part, shall only be made (x) in the case of transfers of portions of a Global Security, to beneficial owners thereof in certificated form, in accordance with Section 2.5, and (y) in all other cases, in accordance with this Section 2.6(b) (and subject, in each case, to the provisions of any Legend (as defined herein) imprinted on such Global Security).

(i) Transfers of Global Securities as such. Subject to clauses (ii)

through (vi) of this Section 2.6(b), transfers of a Global Security shall be limited to transfers of such Global Security in whole, and not in part, to nominees of the U.S. Depositary or to a successor of the U.S. Depositary or such successor's nominee.

(ii) Rule 144A Global Security to Restricted Regulation S Global Security. If a holder of a beneficial interest in the Rule 144A Global Security deposited with the U.S. Depositary wishes at any time to exchange or transfer its interest in such Global Security to a Person who wishes to take delivery thereof in the form of an interest in the Restricted Regulation S Global Security, such holder may, subject to the rules and procedures of the U.S. Depositary, exchange or transfer or cause the exchange or transfer of such interest for an equivalent beneficial interest

in the Restricted Regulation S Global Security in accordance with, and subject to, this clause (ii). Upon receipt by the Trustee at the Corporate Trust Office of (1) instructions given in accordance with the U.S. Depositary's procedures from an Agent Member directing the Trustee to credit or cause to be credited a beneficial interest in the Restricted Regulation S Global Security in an amount equal to the beneficial interest in the Rule 144A Global Security to exchanged or transferred, (2) a written order given in accordance with the U.S. Depositary's procedures containing information regarding the Euroclear or Cedel account to be credited with such increase and the name of such account, and (3) a certificate in the form of Exhibit C attached hereto given by the holder of such beneficial interest stating that the exchange or transfer of such interest has been made in compliance with the transfer restrictions applicable to the Securities and pursuant to and in accordance with Regulation S, the Trustee shall instruct the U.S. Depositary to reduce the Rule 144A Global Security by the aggregate principal amount of the beneficial interest in the Rule 144A Global Security to be so exchanged or transferred and the Trustee shall instruct the U.S. Depositary, concurrently with such reduction, to increase the principal amount of the Restricted Regulation S Global Security by the aggregate principal amount of the beneficial interest in the Rule 144A Global Security to be so exchanged or deferred, and to credit or cause to be credited to the account or the person specified in such instructions (who shall be the Agent Member for Euroclear or Cedel, or both, as the case may be) a beneficial interest in the Restricted Regulation S Global Security equal to the reduction in the principal amount of the Rule 144A Global Security.

(iii) Rule 144A Global Security to Unrestricted Regulation S Global Security. If a holder of a beneficial interest in the Rule 144A Global Security deposited with the U.S. Depositary wishes at any time to exchange its interest in such Global Security for an interest in the Unrestricted Regulation S Global Security, or to transfer its interest in such Global Security to a Person who wishes to take delivery thereof in the form of an interest in the Unrestricted Regulation S Global Security, such holder may, subject

to the rules and procedures of the U.S. Depository, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in the Unrestricted Regulation S Global Security in accordance with, and subject to, this clause (iii). Upon receipt by the Trustee at the Corporate Trust Office of (1) instructions given in accordance with the U.S. Depository's procedures from an Agent Member directing the Trustee to credit or cause to be credited a beneficial interest in the Unrestricted Regulation S Global Security in an amount equal to the beneficial interest in the Rule 144A Global Security to be exchanged or transferred, (2) a written order given in accordance with the

U.S. Depositary's procedures containing information retarding the participant account of the U.S. Depositary and, in the case of a transfer pursuant to and in accordance with Regulation S, the Euroclear or Cedel account to be credited with such increase and (3) a certificate in the form of Exhibit D attached hereto given by the holder of such beneficial interest stating that the exchange or transfer of such interest has been made in compliance with the transfer restrictions applicable to the Securities and (A) in the case of an exchange, that either (x) the Security being exchanged is not a "restricted security" as defined in Rule 144 under the Securities Act, or (y) the exchange is being made to facilitate a contemporaneous transfer that complies with this clause (iii), (B) in the case of a transfer pursuant to Regulation S, that the Security is being transferred pursuant to and in accordance with Regulation S, (C) in the case of a transfer pursuant to Rule 144, that the Security is being transferred pursuant to and in accordance with Rule 144 or (D) in the case of a transfer pursuant to another exemption from the Securities Act (including without limitation Rule 144A), specifying the basis for such exemption, the Trustee shall instruct the U.S. Depositary to reduce the Rule 144A Global Security by the aggregate principal amount of the beneficial interest in the Rule 144A Global Security to be so exchanged or transferred and the Trustee shall instruct the U.S. Depositary, concurrently with such reduction, to increase the principal amount of the Unrestricted Regulation S Global Security by the aggregate principal amount of the beneficial interest in the Rule 144A Global Security to be so exchanged or

transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Unrestricted Regulation S Global Security equal to the reduction in the principal amount of the Rule 144A Global Security.

(iv) Restricted Regulation S Global Security or Unrestricted Regulation S Global Security to Rule 144A Global Security. If a holder of a beneficial interest in the Restricted Regulation S Global Security or the Unrestricted Regulation S Global Security deposited with the U.S. Depositary wishes at any time to exchange or transfer its interest in such Restricted Regulation S Global Security or Unrestricted Regulation S Global Security to a Person who wishes to take delivery thereof in the form of an interest in the Rule 144A Global Security such holder may, subject to the rules and procedures of Euroclear or Cedel and the U.S. Depositary, as the case may be, exchange or transfer or cause the exchange or transfer of such interest for an equivalent beneficial interest in the Rule 144A Global Security, in accordance with, and subject to, this clause (iv). Upon receipt by the Trustee at the Corporate Trust Office of (1) instructions from Euroclear or Cedel or the U.S. Depositary as the case may be, directing the Trustee to credit or cause to be credited a beneficial interest in the Rule 144A Global Security equal to the beneficial interest in the Restricted Regulation S Global Security or the Unrestricted Regulation S Global Security to be exchanged or transferred, such instructions to contain information regarding the Agent Member's account with the U.S. Depositary to be credited with such increase, and, with respect to an exchange or transfer of an interest in the Unrestricted Regulation S Global Security, information regarding the Agent Member's account with the U.S. Depositary to be debited with such decrease, and (2) a certificate in the form of Exhibit E attached hereto given by the holder of such beneficial interest and stating that the person exchanging or transferring such interest in the Restricted Regulation S Global Security or the Unrestricted Regulation S Global Security, as the case may be, reasonably believes that the person acquiring such interest in the Rule 144A Global Security is a qualified institutional buyer (as defined in Rule 144A) and is obtaining such beneficial interest

in a transaction meeting the requirements of Rule 144A, Euroclear or Cedel or the Trustee, as the case may be, shall instruct the U.S. Depositary to reduce the Restricted Regulation S Global Security or the Unrestricted Regulation S Global Security, as the case may be, by the aggregate principal amount of the beneficial interest in the Restricted Regulation S Global Security or the Unrestricted Regulation S Global Security to be exchanged or transferred, and the Trustee shall instruct the U.S. Depositary, concurrently with such reduction to increase the principal amount of the Rule 144A Global Security by the aggregate principal amount of the beneficial interest in the Restricted Regulation S Global Security or the Unrestricted Regulation S Global Security, as the case may be, to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Rule 144A Global Security equal to the reduction in the principal amount of the Restricted Regulation S Global Security or the Unrestricted Regulation S Global Security, as the case may be.

(v) Other Exchanges. In the event that a Global Security is exchanged for Securities in definitive registered form without interest coupons pursuant to Section 2.5 hereof, such Securities may be exchanged or transferred for one another only in accordance with such procedures as are substantially consistent with the provisions of clauses (ii) through (iv) above (including, without limitation, the certification requirements intended to insure that such exchanges or transfers comply with Rule 144A, Rule 144 or Regulation S under and generally with the Securities Act, as the case may be) and as may be from time to time adopted by the Issuer and the Trustee.

(c) Successive registrations and registrations of transfers and exchanges as aforesaid may be made from time to time as desired, and each such registration shall be noted on the Security Register. No service charge shall be made for any registration of transfer or exchange of the Securities, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith and any other amounts required to be paid by the provisions of the Securities.

(d) If Securities are issued upon the registration of transfer, exchange or replacement of Securities not bearing the legends required by the form of Security attached as Exhibit A hereto (collectively, the "Legend"), the Securities so issued shall bear the Legend. If Securities are issued upon the registration of transfer, exchange or replacement of Securities bearing the Legend, or if a request is made to remove the Legend on a Security, the Securities so issued shall bear the Legend, or the Legend shall not be removed, as the case may be, unless there is delivered to the Issuer and the Trustee such satisfactory evidence, which may include an opinion of counsel of recognized standing licensed to practice law in the State of New York and experienced in matters involving the Securities Act, as may be reasonably required by the Issuer that neither the Legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or that such Securities are not "restricted securities" within the meaning of Rule 144 under the Securities Act. Upon provision of such satisfactory evidence, the Trustee, at the direction of the Issuer, shall authenticate and deliver a Security that does not bear the Legend. If a Legend is removed from the face of a Security and the Security is subsequently held by an affiliate of the Issuer, the Legend shall be reinstated.

SECTION 2.7 Mutilated, Defaced, Destroyed, Lost and Stolen Securities. In case any temporary or definitive Security shall become mutilated, defaced or be apparently destroyed, lost or stolen, the Issuer in its discretion may execute, and upon the written request any officer of the Issuer, the Trustee shall authenticate and deliver a new Security, bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated

or defaced Security, or in lieu of and substitution for Security so apparently destroyed, lost or stolen. In every case the applicant for a substitute Security shall furnish to the Issuer and to the Trustee and any agent of the Issuer or the Trustee such security or indemnity as may be required by them to indemnify and defend and to save each of them harmless and, in every case of destruction, loss or theft, evidence to their satisfaction of the apparent destruction, loss or theft of such Security and of the ownership thereof.

Upon the issuance of an substitute Security, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith. In case any Security which has matured or is about to mature, or has been called for redemption in full, shall become mutilated or defaced or be apparently destroyed, lost or stolen. the Issuer may, instead of issuing a substitute Security, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated or defaced Security), if the applicant for such payment shall furnish to the Issuer and to the Trustee and any agent of the Issuer or the Trustee such security or indemnity as any of them may require to save each of them harmless from all risks, however remote, and, in every case of apparent destruction, loss or theft, the applicant shall also furnish to the Issuer and the Trustee and any agent of the Issuer or the Trustee evidence to their satisfaction of the apparent destruction, loss or theft of such Security and of the ownership thereof.

Every substitute Security issued pursuant to the provisions of this Section by virtue of the fact that any Security is apparently destroyed, lost or stolen shall constitute an additional contractual obligation of the Issuer, whether or not the apparently destroyed, lost or stolen Security shall be at any time enforceable by anyone and shall be entitled to all the benefits of (but shall be subject to all the limitations of rights set forth in) this Indenture equally and proportionately with any and all other Securities duly authenticated and delivered hereunder. All Securities shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, defaced, or apparently destroyed, lost or stolen Securities and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.8 Cancelation of Securities: Destruction Thereof. All Securities surrendered for payment, redemption, registration of transfer or exchange, if surrendered to the Issuer or any agent of the Issuer or the Trustee, shall be delivered to the Trustee for cancelation

or, if surrendered to the Trustee, shall be canceled by it provided all conditions regarding such cancelation have been met; and no Securities shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall cancel and dispose of all Securities surrendered for registration of transfer, exchange, payment or cancelation in accordance with the Trustee's policy of disposal unless the Issuer instructs the Trustee in writing to deliver the Securities to the Issuer. If the Issuer shall acquire any of the Securities, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are delivered to the Trustee for cancelation.

SECTION 2.9 Temporary Securities. Pending the preparation of definitive Securities, the Issuer may execute and the Trustee shall authenticate and deliver temporary Securities (printed, lithographed,

typewritten or otherwise reproduced, in each case in form satisfactory to the Trustee). Temporary Securities shall be issuable as registered Securities without coupons, of any authorized denomination, and substantially in the form of the definitive Securities but with such omissions, insertions and variations as may be appropriate for temporary Securities, all as may be determined by the Issuer with the concurrence of the Trustee. Temporary Securities may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Security shall be executed by the Issuer and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Securities. Without unreasonable delay the Issuer shall execute and shall furnish definitive Securities and thereupon temporary Securities may be surrendered in exchange therefor without charge at each office or agency to be maintained by the Issuer for the purpose pursuant to Section 3.2 hereof, and the Trustee shall authenticate and deliver in exchange for such temporary Securities a like aggregate principal amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 2.10 Computation of Interest. Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months.

ARTICLE III

COVENANTS OF THE ISSUER AND THE TRUSTEE

SECTION 3.1 Payment of Principal and Interest. The Issuer covenants and agrees that it will duly and punctually pay or cause to be paid the principal and Change of Control purchase price of, and premium, if any, and interest on, each of the Securities at the place or places, at the respective times and in the manner provided in the Securities. Payment of principal and the Change of Control purchase price of, and premium and interest on the Securities shall be paid by mailing a check to or upon the written order of the registered Holders of Securities entitled thereto at their last address as it appears on the Securities Register or, upon written application to the Trustee by a Holder of $1,000,000 or more in aggregate principal amount of Securities, by wire transfer of immediately available funds to an account maintained by such Holder with a bank or other financial institution; provided, however, that (subject to the provisions of Section 2.7 hereof) payment of principal and the Change of Control Price of, and premium, if any, on, any Security may be conditioned upon presentation for payment of the certificate representing such Security.

SECTION 3.2 Offices for Payments, etc. So long as any of the Securities remain Outstanding, the Issuer shall maintain in the Borough of Manhattan, The City of New York, the following: (a) an office or agency where the Securities may be presented for payment, (b) an office or agency where the Securities may be presented for registration of transfer and for exchange as in this Indenture provided and (c) an office or agency where notices and demands to or upon the Issuer in respect of the Securities or of this Indenture may be served. The Issuer shall give to the Trustee written notice of the location of any such office or agency and of any change of location thereof. The Issuer hereby initially designates the Trustee's New York office as such office or agency. In case the Issuer shall fail to maintain any such office or agency or shall fail to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the Corporate Trust Office.

SECTION 3.3 Appointment to Fill Vacancy in Office of Trustee. The Issuer, whenever necessary to avoid or fill a vacancy in the office of Trustee, shall appoint, in the manner provided in Section 5.9 hereof, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 3.4 Paying Agents. The Trustee shall be the principal paying agent for the Securities. Whenever the Issuer shall appoint a paying agent other than the Trustee, it shall cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section,

(a) that it will hold all sums received by it as such agent for the payment of the principal or Change of Control purchase price of, or premium or interest on, the Securities (whether such sums have been paid to it by the Issuer or by any other obligor on the Securities) in trust for the benefit of the Holders of the Securities or of the Trustee,

(b) that it will give the Trustee notice of any failure by the Issuer (or by any other obligor on the Securities) to make any payment of the principal or Change of Control purchase price of, or premium or interest on, the Securities when the same shall be due and payable and

(c) pay any such sums so held in trust by it to the Trustee upon the Trustee's written request at any time during the continuance of the failure referred to in clause (b) above.

The Issuer shall, prior to each due date of the principal or Change of Control purchase price of, and premium, if any, or interest on the Securities, deposit with the paying agent a sum sufficient to pay such principal, Change of Control purchase price, premium or interest, and (unless such paying agent is the Trustee) the Issuer shall promptly notify the Trustee of any failure to take such action.

Anything in this Section 3.4 to the contrary notwithstanding, the Issuer may at any time, for the purpose of obtaining satisfaction and discharge of this Indenture or for any other reason, pay or cause to be paid

to the Trustee all sums held in trust by any paying agent hereunder, as required by this Section 3.4, such sums to be held by the Trustee upon the trusts herein contained.

Anything in this Section to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 3.4 is subject to the provisions of Section 9.3 and Section 9.1 hereof.

SECTION 3.5 Certificate to Trustee. Issuer shall furnish to the Trustee on or before March 31 in each year (beginning with March 31, 1998) a brief certificate from the principal executive, financial or accounting officer of this Issuer as to his or her knowledge of the Issuer's compliance with all covenants under this Indenture (such compliance to be determined without regard to any period of grace or requirement of notice provided under this Indenture).

SECTION 3.6 Securityholder's Lists. The Issuer shall furnish or cause to be furnished to the Trustee a list in such form as the Trustee may reasonably require of the names and addresses of the Holders of the Securities (a) semiannually not more than 15 days after each record date for the payment of semi-annual interest on the Securities, as specified in the form of Security attached as Exhibit A hereto, as of such record date and (b) at other times as the Trustee may request in writing, within thirty days after receipt by the Issuer of any such request as of a date not more than 15 days prior to the time such information is furnished.

SECTION 3.7 Reports by the Issuer. (a) If the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, then the

Issuer shall file with the Trustee and provide Securityholders, within 15 days after it files them with the Commission, copies of its annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) that the Issuer is required to file with the Commission pursuant to Section 13 or 15(d) of Exchange Act.

(b) As long as the Issuer is not subject to Section 13 or 15(d) of the Exchange Act at any time, upon the request of a Holder or any owner of a beneficial interest in a Security, the Issuer shall promptly furnish

or cause to be furnished "Rule 144A Information" (as defined herein) to such Holder, or beneficial owner or to a prospective purchaser of such Security designated by such Holder or beneficial owner in order to permit compliance by such Holder or beneficial owner with Rule 144A under the Securities Act in connection with the resale of such Security by such Holder or beneficial owner. "Rule 144A Information" shall be such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

(c) In addition to the requirement to furnish Rule 144A Information as provided in subsection (b), the Issuer shall furnish or cause to be furnished to Holders and (upon the requests thereof delivered to the Issuer or the Trustee) to holders of an interest in any Global Security (i) annual consolidated comparative financial statements of the Issuer prepared in accordance with GAAP (together with notes thereto, a repose thereon by an independent accountant of established national reputation and a management's discussion and analysis of financial condition and results of operations), such statements to be so furnished as soon as reasonably available and in any event within 120 days after the end of the fiscal year covered thereby and (ii) unaudited condensed consolidated comparative balance sheets and statements of income and cash flows of the Issuer for each of the first three fiscal quarters of each fiscal year and the corresponding quarter and year-to-date period of the prior year prepared on a basis consistent with the annual financial statements furnished pursuant to clause (c)(i), such statements to be so furnished within 90 days after the end of each such quarter.

SECTION 3.8 Limitation on Liens. So long as any of the Securities are Outstanding, the Issuer shall not pledge, mortgage or hypothecate, or permit to exist, any mortgage, pledge or other lien upon any property at any time directly owned by the Issuer to secure any indebtedness for money borrowed that is incurred, issued, assumed or guaranteed by the Issuer ("Indebtedness"), without making effective provisions whereby the Securities shall be equally and ratably secured with any and all such Indebtedness and with any other Indebtedness similarly entitled to be equally and ratably secured; provided, however, that this restriction shall not apply to or prevent the creation or existence of (i) liens existing at the Original Issuance

Date of the Securities, (ii) purchase money liens that do not exceed the cost or value of the purchased property, (iii) other liens not to exceed 10% of Consolidated Net Tangible Assets, and (iv) liens granted in connection with extending, renewing, replacing or refinancing, in whole or in part, the Indebtedness (including, without limitation, increasing the principal amount of such Indebtedness) secured by liens described in the foregoing clauses (i) through (iii).

In the event that the Issuer shall propose to pledge, mortgage or hypothecate any property at any time directly owned by it to secure any Indebtedness, other than as permitted by clauses (i) through (iv) of the previous paragraph, the Issuer shall (prior thereto) give written notice thereof to the Truster, who shall give notice to the Holders, and the Issuer

shall, prior to or simultaneously with such pledge, mortgage or hypothecation, effectively secure all the Securities equally and ratably with such Indebtedness.

SECTION 3.9 Repurchase of Securities Upon a Change of Control. (a) Upon a Change of Control, each Holder of the Securities shall have the right to require that the Issuer repurchase such Holder's Securities at a repurchase price in cash equal to 101% of the principal amount thereof plus accrued interest, if any, to the date of repurchase, in accordance with the terms set forth in subsection (b) below.

(b) Within 30 days following any Change of Control, the Issuer shall mail a notice to each Holder (with a copy to the Trustee) stating:

(1) that a Change of Control has occurred and that such Holder has the right to require the Issuer to repurchase such Holder's Securities at a repurchase price in cash equal to 101% of the principal amount thereof plus accrued interest, if any, to the date of repurchase (the "Change of Control Offer");

(2) the circumstances and relevant facts regarding such Change of Control (including information with respect to pro forma historical income, cash flow and capitalization of the Issuer after giving effect to such Change of Control);

(3) the repurchase date (which shall be a Business Day and be not earlier than 30 days or later than 60 days from the date such notice is mailed) (the "Repurchase Date");

(4) that any Security not tendered for purchase will continue to accrue interest;

(5) that interest on any Security accepted for payment pursuant to the Change of Control Offer shall cease to accrue after the repurchase of such Security on the Repurchase Date;

(6) that Holders electing to have a Security purchased pursuant to a Change of Control Offer will be required to surrender the Security, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Security completed, to the paying agent at the address specified in the notice prior to the close of business on the Business Day prior to the Repurchase Date;

(7) that Holders will be entitled to withdraw their election if the paying agent receives, not later than the close of business on the third Business Day (or such shorter periods as may be required by applicable law) preceding the Repurchase Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Securities the Holder delivered for purchase, and a statement that such Holder is withdrawing its election to have such Securities purchased; and

(8) that Holders that elect to have their Securities purchased only in part will be issued new Securities in a principal amount equal to then unpurchased portion of the Securities surrendered.

(c) Notwithstanding the foregoing, for so long as the Securities are in the form of Global Securities, the Issuer shall deliver to the U.S. Depositary within the time periods specified above, for retransmittal to its Agent Members, a notice substantially to the effect specified in clauses (1) through (5) and (7) above, which notice shall also specify the required procedures (furnished by the U.S. Depositary) for holders of interests in the Global Securities to tender and receive payment of the purchase price

for such interests (including the U.S. Depositary's "Repayment Option Procedures," to the extent applicable), all in accordance with the U.S. Depositary's rules, regulations and practices.

(d) On the Repurchase Date, the Issuer shall (i) accept for payment Securities or portions thereof tendered pursuant to the Change of Control Offer, (ii) deposit with the Trustee money sufficient without reinvestment to pay the purchase price of all Securities or portions thereof so tendered and (iii) deliver or cause to be delivered to the Trustee Securities so accepted together with an Officers' Certificate identifying the Securities or portions thereof tendered to the Issuer. The Trustee shall promptly mail to the Holders of the Securities so accepted payment in an amount equal to the purchase price, and promptly authenticate and mail to such Holders a new Security in a principal amount equal to any unpurchased portion of the Security surrendered. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Repurchase Date.

(e) The Issuer shall comply with Rule 14e-1 under the Exchange Act and any other applicable laws and regulations in the even that a Change of Control occurs and the Issuer is required to make a Change of Control Offer.

ARTICLE IV

REMEDIES OF THE TRUSTEE AND SECURITYHOLDERS ON EVENT OF DEFAULT

SECTION 4.1 Event of Default Defined; Acceleration of Maturity; Waiver of Default. In case of one or more of the following Events of Default (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) shall have occurred and be continuing, that is to say:

(a) default in the payment of all or any part of the principal or Change of Control purchase price of, or premium, if any, on, any of the Securities as and

when the same shall become due and payable either at maturity, upon any redemption or required repurchase, by declaration of acceleration or otherwise;

(b) default in the payment of any installment of interest upon any of the Securities as and when the same shall become due and payable, and continuance of such default for a period of 30 days;

(c) an event of default, as defined in any instrument of the Issuer under which there may be issued, or by which there may be secured or evidenced, any Indebtedness of the Issuer that has resulted in the acceleration of such Indebtedness, or any default occurring in payment of any such Indebtedness at final maturity (and after the expiration of any applicable grace periods), other than such Indebtedness (i) which is payable solely out of the property or assets of a partnership, joint venture or similar entity of which the Issuer is a participant, or which is secured by a lien on the property or assets owned or held by such entity, without further recourse to or liability of the Issuer, or (ii) the principal of, and interest on, which, when added to the principal of and interest on all other such Indebtedness (exclusive of Indebtedness under clause (i) above), does not exceed $20,000,000; or

(d) failure on the part of the Issuer duly to observe or perform any other of the covenants or agreements on the part of the Issuer in the Securities or in this Indenture and such failure continues for a period of 30 days after the date on which written notice specifying such failure, stating that such notice is a "Notice of Default" hereunder and demanding that the Issuer remedy the same, shall have been given by registered or certified mail, return receipt requested, to the Issuer by the Trustee, or to the Issuer and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities at the time Outstanding; or

(e) one or more final judgments, decrees or orders of any court, tribunal, arbitrator, administrative or other governmental body or similar entity for the payment of money shall be rendered against the Issuer or any of its properties in an aggregate amount

in excess of $20,000,000 (excluding the amount thereof covered by insurance) and such judgment, decree or order shall remain unvacated, undischarged and unstayed for more than 90 consecutive days, except while being contested in good faith by appropriate proceedings; or

(f) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Issuer in an involuntary case or proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or a decree or order adjudging the Issuer a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment, or composition of or in respect of the Issuer under any applicable federal or state law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of its property or ordering the winding up or liquidation of its affairs, shall have been entered, and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days; or

(g) the Issuer shall commence a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or consent to the entry of a decree or order for relief in an involuntary case or proceeding under any such law, or to the commencement of any bankruptcy or insolvency case or proceeding against the Issuer, or the filing by the Issuer of a petition or answer or consent seeking reorganization or relief under any such applicable federal or state law, or the consent by the Issuer to the filing of such petition or to the appointment of or the taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Issuer or of any substantial part of its property, or the making by the Issuer of an assignment for the benefit of creditors, or the taking of action by the Issuer in furtherance of any such action;

then and in each and every such case (other than an Event of Default with respect to the Issuer specified in 4.1(f) or 4.1(g) hereof), unless the principal of all of the Securities shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Securities then Outstanding hereunder, by notice in writing to the Issuer (and to the Trustee if given by Securityholders), may declare the entire principal of all the Securities and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. This provision, however, is subject to the condition that if, at any time after the principal of the Securities shall have been so declared

due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all the Securities and the principal or Change of Control purchase price and premium, if any, of any and all Securities that shall have become due otherwise than by acceleration (with interest upon such principal and Change of Control purchase price and premium, if any, and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the rate of interest specified in the Securities, to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and all other reasonable expenses and liabilities incurred and all reasonable advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith, and if any and all Events of Default under the Indenture, other than the non-payment of the principal that shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then and in every such case the Holders of a majority in aggregate principal amount of the Securities then Outstanding, by written notice to the Issuer and to the Trustee, may waive all defaults (except, unless theretofore cured, a default in payment of principal of, or Change of Control purchase price or premium, if any, or interest on, the Securities) and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

If an Event of Default specified in Section 4.1(f) or 4.1(g) hereof occurs with respect to the Issuer, the principal of and accrued interest on the Security shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Securityholder.

SECTION 4.2 Collection of Indebtedness by Trustee; Trustee May Prove Debt. The Issuer covenants that (a) in case default shall be made in the payment of any installment of interest on any of the Securities when such interest shall have become due and payable, and such default shall have continued for a period of 30 days or (b) in case default shall be made in the payment of all or any part of the principal or Change of Control purchase price of, or premium, if any, on, any of the Securities when the same shall have become due and payable, whether upon maturity or upon any redemption or by declaration or acceleration or otherwise, then upon demand of the Trustee, the Issuer shall pay to the Trustee for the benefit of the Holders of the Securities the whole amount that then shall have become due and payable on all such Securities of principal. Change of Control purchase price, premium or interest, as the case may be (with interest to the date of such payment upon the overdue principal, Change of Control purchase price or premium and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest at the rate of interest specified in the Securities); and in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and any reasonable expenses and liabilities incurred, and all reasonable advances made, by the Trustee and each predecessor Trustee except as a result of its negligence or bad faith.

Until such demand is made by the Trustee, the Issuer may pay the principal and Change of Control purchase price of and premium and interest on the Securities to the registered Holders, whether or not the Securities be overdue.

In case the Issuer shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or

in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Issuer or other obligor upon the Securities and collect in the manner provided by law out of the property of the Issuer or other obligor upon the Securities, wherever situated, the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings relative to the Issuer or any other obligor upon the Securities under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, custodian, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor, or in case of any other comparable judicial proceedings relative to the Issuer or other obligor upon the Securities, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective or whether the Trustee shall have made any demand pursuant to the provisions of this Section 4.2, shall be entitled and empowered, by intervention in such proceedings or otherwise:

(a) to file and prove a claim or claims for the whole amount of principal, Change of Control purchase price, premium and interest owing and unpaid in respect of the Securities, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all reasonable expenses and liabilities incurred, and all reasonable advances made, by the Trustee and each predecessor Trustee, except as a result of negligence or bad faith) and of the Securityholders, allowed in any judicial proceedings relative to the Issuer or other obligor upon the Securities, or to the creditors or property of the Issuer or such other obligor;

(b) unless prohibited by applicable law and regulations, to vote on behalf of the Holders of the Securities in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency proceedings or person performing similar functions in comparable proceedings; and

(c) to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Securityholders and of the Trustee on their behalf; and any trustee, receiver, or liquidator, custodian or other similar official is hereby authorized by each of the Securityholders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to the Securityholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other reasonable expenses and liabilities incurred, and all reasonable advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Securityholders any plan or reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding except, as aforesaid, to vote for the election of a trustee

in bankruptcy or similar person.

All rights of action and of asserting claims under this Indenture, or under any of the Securities, may be enforced by the Trustee without the possession of any of the Securities or the production thereof at any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Trustee, each predecessor Trustee and their respective agents and

attorneys, shall be for the ratable benefit of the Holders of the Securities.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders of the Securities, and it shall not be necessary to make any Holders of the Securities parties to any such proceedings.

SECTION 4.3 Application of Proceeds. Any moneys collected by the Trustee pursuant to this Article shall be applied in the following order at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal or interest, upon presentation of the several Securities and stamping (or otherwise noting) thereon the payment, or issuing Securities in reduced principal amounts in exchange for the presented Securities if only partially paid, or upon surrender thereof if fully paid:

FIRST: To the payment of costs and expenses, including reasonable compensation to the Trustee and each predecessor Trustee and their respective agents and attorneys and of all reasonable expenses and liabilities incurred, and all reasonable advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith and all other amounts due under Section 5.6 hereof;

SECOND: In case the principal and the Change of Control purchase price and premium, if any, of the Securities shall not have become and be then due and payable, to the payment of interest in default in the order of the maturity of the installments of such interest, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest at the rate of interest specified in the Securities, such payments to be made ratably to the persons entitled thereto, without discrimination or preference;

THIRD: In case the principal or the Change of Control purchase price of the Securities shall have become and shall be then due and payable, to the payment of the whole amount then owing and unpaid upon

all the Securities for principal, Change of Control purchase price, premium, and interest, with interest upon the overdue principal, Change of Control purchase price, premium, if any, and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest at the rate of interest specified in the Securities, and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Securities, then to the payment of such principal, Change of Control purchase price, premium and interest, without preference or priority of principal, Change of Control purchase price or premium over interest, or of interest over principal or Change of Control purchase price or premium, or of any installment of interest over any other installment of interest, or of any Security over any other Security, ratably to the aggregate of such principal and accrued and unpaid interest; and

FOURTH: To the payment of the remainder, if any, to the Issuer or any other Person lawfully entitled thereto.

The Trustee may fix a record date and payment date for any payment to Securityholders pursuant to this Section 4.3.

SECTION 4.4 Suits for Enforcement. In case an Event of Default has occurred, has not been waived and is continuing, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 4.5 Restoration of Rights on Abandonment of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Issuer and the

Trustee shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Issuer, the Trustee and the Securityholders shall continue as though no such proceedings had been taken.

SECTION 4.6 Limitations of Suits by Securityholders. No Holder of any Security shall have any right by virtue or by availing of any provision of this Indenture to institute any action or proceeding at law or in equity or in bankruptcy or otherwise upon or under or with respect to this Indenture, or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless also the Holders of not less than 25% in aggregate principal amount of the Securities then Outstanding shall have made written request upon the Trustee to institute such action or proceedings in its own name as trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee for 30 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceedings and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 4.8 hereof; it being understood and intended, and being expressly covenanted by the taker and Holder of every Security with every other taker and Holder and the Trustee, that no one or more Holders of Securities shall have any right in any manner whatever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other Holder of Securities, or to obtain or seek to obtain priority over or preference to any other such Holder or to enforce any fight under this indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Securities. For the protection and enforcement of the provisions of this Section 4.6 each and every Securityholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

SECTION 4.7 Powers and Remedies Cumulative, Delay or Omission Not Waiver of Default. Except as provided in Section 2.7 hereof, no right or remedy herein

conferred upon or reserved to the Trustee or to the Securityholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No delay or omission of the Trustee or of any Holder of any of the Securities to exercise as aforesaid any such right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and, subject to Section 4.6 hereof, every power and remedy given by this Indenture or by law to the Trustee or to the Securityholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Securityholders.

SECTION 4.8 Control by Securityholders. The Holders of a majority in aggregate principal amount of the Securities at the time Outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee by this Indenture; provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture; and provided further that (subject to the provisions of Section 5.1 hereof) the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, shall determine that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors, the executive committee, or a trust committee of directors or Responsible Officers of the Trustee shall determine that the action or proceedings so directed would involve the Trustee in personal liability or if the Trustee in good faith shall so determine that the actions or forbearances specified in or pursuant to such direction shall be unduly prejudicial to the interests of Holders of the Securities not joining in the giving of said direction, it being understood that (subject to Section 5.1 hereof) the Trustee shall have no duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Holders.

Nothing in this Indenture shall impair the right of the Trustee in its discretion to take any action deemed proper by the Trustee and which is not inconsistent with such direction by Securityholders.

SECTION 4.9 Waiver of Past Defaults. Prior to the declaration of the maturity of the Securities as provided in Section 4.1 hereof, the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding may on behalf of the Holders of all the Securities waive any past default or Event of Default hereunder and its consequences, except a default (a) in the payment of principal or Change of Control purchase price of, premium, if any, or interest on any of the Securities or (b) in respect of a covenant or provision hereof that cannot be modified or amended without the consent of the Holder of each Security affected. In the case of any such waiver, the Issuer, the Trustee and the Holders of the Securities shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Upon any such waiver, such default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured, and not to have occurred for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 4.10 Rights of Holders to Receive Payment. Notwithstanding any

other provision of this Indenture (including, without limitation, Section 4.6 hereof), the right of any Holder to receive, and to institute suit to enforce, payment of the principal and Change of Control purchase price of, and premium, if any, and interest on the Securities on or after the respective due dates expressed in such Securities (including upon redemption and acceleration of the maturity of the principal of and premium, if any, and interest on the Securities), shall not be affected or impaired, and shall be absolute and unconditional.

ARTICLE V

CONCERNING THE TRUSTEE

SECTION 5.1 Duties and Responsibilities of the Trustee; During Default; Prior to Default. The Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default that may have occurred, undertakes to perform only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that

(a) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such statements, certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to

examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in principal amount of the Securities at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this

Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there shall be reasonable ground for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.

SECTION 5.2 Certain Rights of the Trustee. Subject to Section 5.1 hereof:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, Officers' Certificate or any other certificate (including, without limitation, any certificate provided to the Trustee pursuant to Section 3.5 hereof), statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security or other paper document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Issuer mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically

prescribed) and any resolution of the Board of Directors may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Issuer;

(c) the Trustee may consult with counsel and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Indenture at the request, order or direction of any of the Securityholders pursuant to the provisions of this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred therein or thereby;

(e) the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document unless requested in writing so to do by the Holders of not less than a majority in aggregate principal amount of the Securities then Outstanding; provided that, if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to proceeding; the reasonable expenses of every such examination shall be paid by the Issuer, or by the Trustee or any predecessor Trustee and repaid by the Issuer upon demand; and

(g) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney.

SECTION 5.3 Trustee Not Responsible for Recitals, Disposition of Securities or Application of Proceeds Thereof. The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Issuer or any of the Securities or of the proceeds thereof.

SECTION 5.4 Trustee and Agents May Hold Securities; Collections, etc. The Trustee or any agent of the Issuer or the Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities with the same rights it would have if it were not the Trustee or such agent and may otherwise deal with the Issuer and receive, collect, hold and retain collections from the Issuer with the same rights it would have if it were not the Trustee or such agent.

SECTION 5.5 Moneys Held by Trustee. Subject to the provisions of Section 9.4 hereof, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by mandatory provisions of law. Neither the Trustee nor any agent of the Issuer or the Trustee shall be under any liability for interest on any moneys received by it hereunder, except as the Issuer and the Trustee otherwise may agree.

SECTION 5.6 Compensation and Indemnification of Trustee and Its Prior Claim. The Issuer covenants and agrees to pay to the Trustee from time to time as shall be agreed upon between the Issuer and the Trustee in writing from time to time, and the Trustee shall be entitled to reasonable compensation (which shall not be limited by any provision of law relating to the compensation of a trustee of an express trust), and the Issuer covenants and agrees to pay or reimburse the Trustee and each predecessor Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by or on behalf of it in accordance with any of the provisions of this Indenture (including the reasonable compensation and expenses and disbursements of its counsel and of all agents and other persons not regularly in its employ), except to the extent any such expense, disbursement or advance may arise from the Trustee's negligence or bad faith. The Issuer also covenants to indemnify the Trustee and each predecessor Trustee for, and to hold it harmless against, any and all loss, liability, damage, claims or expense arising out of or in connection with the acceptance or administration of this Indenture or the trusts hereunder and its duties hereunder and the performance of its duties hereunder, including the costs and expenses of defending and investigating any claim of liability in the premises, except to the extent any such loss, liability or expense is due to its own negligence or bad faith. The obligations of the Issuer under this Section 5.6 to compensate and indemnify the Trustee and each predecessor Trustee and to pay or reimburse the Trustee and each predecessor Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture.

SECTION 5.7 Right of Trustee to Rely on Officers' Certificate, etc. Subject to Section 5.1 and Section 5.2 hereof, whenever in the administration

of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee.

SECTION 5.8 Persons Eligible for Appointment as Trustee. The Trustee hereunder shall at all times be a corporation organized and doing business under the laws of the United States or of a state thereof, having a combined capital and surplus of at least $500,000,000, and which is authorized under such laws to exercise corporate trust powers and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of a federal, state or District of Columbia supervising or examining authority, then for the purposes of this Section 5.8, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. No obligor on the Securities or Person directly or indirectly controlling, controlled by or under common control with such obligor shall serve as Trustee.

SECTION 5.9 Resignation and Removal; Appointment of Successor Trustee. (a) The Trustee may at any time resign by giving written notice of resignation to the Issuer and by mailing notice thereof by first-class mail to Holders of Securities at their last addresses as they shall appear on the Securities Register. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor trustee by written instrument in duplicate, executed by authority of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. If no such successor trustee shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Securityholder who has been a bona fide Holder of a Security or Securities for at least six months may, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deemed proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall fail to comply with the provisions of Section 310(b) of the Trustee Indenture

Act, after written request thereafter by the Issuer or by any Securityholder who has been a bona fide Holder of a Security or Securities for at least six months;

(ii) the Trustee shall cease to be eligible in accordance with the provisions of Section 5.8 hereof and shall fail to resign after written request therefor by the Issuer or by any such Securityholder; or

(iii) the Trustee shall become incapable of acting, or shall be adjusted a bankrupt or insolvent, or a receiver or liquidator of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, the Issuer may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the

Board of Directors of the Issuer, one copy of which instrument shall be delivered to the Trustee so removed and one copy of which shall be delivered to the successor trustee, or, any Securityholder who has been a bona fide Holder of a Security or Securities for at least six months may on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Holders of a majority in aggregated principal amount of the Securities at the time Outstanding may at any time remove the Trustee and appoint a successor trustee by delivering to the Trustee so removed, to the successor trustee so appointed and to the Issuer the evidence provided for in Section 6.1 hereof of the action in that regard taken by the Securityholders.

(d) Any resignation or removal of the Trustee and any appointment of a successor trustee pursuant to any of the provisions of this Section 5.9 shall become effective only upon acceptance of appointment by the successor trustee as provided in Section 5.10 hereof.

SECTION 5.10 Acceptance of Appointment by Successor Trustee. Any successor trustee appointed as provided in Section 5.9 hereof shall execute and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as trustee herein; but, nevertheless, on the written request of the Issuer or of the successor trustee, upon payment of its charges then unpaid, the Trustee ceasing to act shall, subject to Section 9.4 hereof, pay over the successor trustee all moneys at the time held by it hereunder and shall execute and deliver an instrument transferring to such successor trustee all such rights, powers, duties and obligations. Upon request of any such successor trustee, the Issuer shall execute appropriate instruments in writing for more fully and certainly vesting in and confirming to such successor such rights and powers. Any Trustee ceasing to act shall, nevertheless, retain a prior claim upon all property or funds held or collected by such Trustee to secure any amounts then due it pursuant to the provisions of Section 5.6 hereof.

Upon acceptance of appointment by a successor trustee as provided in this Section 5.10, the Issuer shall mail notice thereof by first-class mail to the Holders of Securities at their last addresses as they shall appear in the Securities Register. If the acceptance of appointment is substantially contemporaneous with the resignation then the notice called for by the preceding sentence may be combined with the notice called for by Section 5.9 hereof. If the Issuer fails to mail such notice within 10 days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Issuer.

Notwithstanding replacement of the Trustee pursuant to this Section 5.10, the Issuer's obligations under Section 5.6 hereof shall continue for the benefit of the retiring Trustee.

SECTION 5.11 Merger, Conversion, Consolidation or Succession to Business of Trustee. Any corporation into which the Trustee may be merged or converted or with which

it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any

corporation succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided that such corporation shall be eligible under the provisions of Section 5.8 hereof, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture, any of the Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee and deliver such Securities so authenticated and, in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor trustee, and in such cases such certificate shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have; provided, that the fight to adopt the certificate of authentication of any predecessor Trustee or to authenticate Securities in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

ARTICLE VI

CONCERNING THE SECURITYHOLDERS

SECTION 6.1 Evidence of Action Taken by Securityholders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders, in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee. Proof of execution of any instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 5.1 and Section 5.2

hereof) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Article.

SECTION 6.2 Proof of Execution of Instruments and of Holding of Securities Record Date. Subject to Section 5.1 and Section 5.2 hereof, the execution of any instrument by a Securityholder or his agent or proxy may be provided in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Securities shall be provided by the Securities Register or by a certificate of the Security Registrar thereof. The Issuer may set a record date for purposes of determining the identity of Holders of Securities entitled to vote or consent to any action referred to in Section 6.1 hereof, which record date may be set at any time or from time to time by notice to the Trustee for any date or dates (in the case of any adjournment or resolicitation) not more than 60 days nor less than five days prior to the proposed date of such vote or consent, and thereafter, notwithstanding any other provisions hereof, only Holders of Securities of record on such record date shall be entitled to so vote or give such consent or to withdraw such vote or consent.

SECTION 6.3 Holders to Be Treated as Owners. The Issuer, the Trustee and any agent of the Issuer or the Trustee may deem and treat the Person in whose name any Security shall be registered upon the Securities Register as the absolute owner of such Security (whether or not such Security shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal and Change of Control purchase price of, and premium, if any, on and, subject to the

provisions of this Indenture, interest on such Security and for all other purposes; and neither the Issuer nor the Trustee nor any agent of the Issuer or the Trustee shall be affected by any notice to the contrary. All such payments so made to any such Person, or upon his order, shall be valid and to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Security.

SECTION 6.4 Securities Owned by Issuer Deemed Not Outstanding. In determining whether the Holders of the requisite aggregate principal amount of Securities have concurred in any direction, consent or waiver under this

Indenture, Securities that are owned by the Issuer or any other obligor on the Securities or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the obligor on the Securities shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver only Securities that the Trustee knows are so owned shall be so disregarded. Securities so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Issuer or any other obligor upon the Securities or any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer or any other obligor on the Securities. In case of a dispute as to such right, the advice of counsel shall be full protection in respect of any decision made by the Trustee in accordance with such advice. Upon request of the Trustee, the Issuer shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Securities, if any, known by the Issuer to be owned or held by or for the account of any of the above-described Persons; and, subject to Section 5.1 and Section 5.2 hereof, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the facts therein set forth and of the fact that all Securities not listed therein are Outstanding for the purpose of any such determination.

SECTION 6.5 Right of Revocation of Action Taken. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 6.1 hereof, of the taking of any action by the Holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action, any Holder of a Security the serial number of which is shown by the evidence to be included among the serial numbers of the Securities, the Holders of which have consented to such action may, by filing written notice at the Corporate Trust Office and upon proof of holding as provided in this Article, revoke such action so far as concerns such Security. Except as aforesaid any such action taken by the Holder of any Security shall be conclusive and binding upon such Holder and upon all future Holders and owners of such

Security and of any Securities issued in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon any such Security. Any action taken by the Holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action shall be conclusively binding upon the Issuer, the Trustee and the Holders of all such Securities.

ARTICLE VII

SUPPLEMENTAL INDENTURES

SECTION 7.1 Supplemental Indentures Without Consent of Securityholders. The Issuer, when authorized by a resolution of its Board of Directors, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Securities any property or assets;

(b) to evidence the succession of another corporation to the Issuer, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Issuer pursuant to Article Eight hereof;

(c) to add to the covenants of the Issuer such further covenants, restrictions, conditions or provisions as the Board of Directors shall consider to be for the protection of the Holders of Securities, and to make the occurrence, or the occurrence and continuance of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided, that in respect of any such additional covenant, restriction, condition or provision such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for immediate enforcement upon such an Event of Default or

may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the Holders of a majority in aggregate principal amount of the Securities to waive such an Event of Default;

(d) to cure any ambiguity or to cure, correct or supplement any defective provision contained herein or in the Securities, or to make such other provisions in regard to matters or questions arising under this Indenture or under any supplemental indenture as the Board of Directors may deem necessary or desirable, and in any case which the Trustee and the Issuer shall determine (i) are not inconsistent with this Indenture and the Securities and (ii) shall not adversely affect the interests of the Holders of the Securities; and

(e) to modify or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification thereof under the Trust Indenture Act of any other similar federal statute hereafter in effect.

The Trustee is hereby authorized to join in the execution of any such supplemental Indenture, to make any further appropriate agreements and stipulations that may be therein continued and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 7.1 may be executed without the consent of the Holders of any of the Securities at the time Outstanding, notwithstanding any of the provisions of Section 7.2 hereof.

SECTION 7.2 Supplemental Indentures With Consent of Securityholders. With the consent (evidenced as provided in Article Six hereof) of the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding, the Issuer, when authorized by a resolution of its Board of Directors, and the Trustee may, from time to time and at any time, modify

this Indenture or any indentures supplemental hereto or the rights of the Holders of the Securities; provided, that no

such supplemental indenture shall (a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable on redemption thereof or upon a Change of Control or impair or affect the right of any Securityholder to institute suit for the payment thereof or make any change to Section 3.9 hereof that adversely affects the rights of the Holders of the Securities, in each case without the consent of the Holder of each Security so affected, or (b) without the consent of the Holders of all Securities then Outstanding, (i) reduce the aforesaid percentage of Securities, the consent of the Holders of which is required for any such modification, or the percentage of Securities, the consent of the Holders of which is required for any waiver provided for in this Indenture, (ii) change any obligation of the Issuer to maintain an office or agency in the places and for the purposes specified in Section 3.2 or (iii) make any change in Section 4.9 or this Section 7.2, except to increase any percentages or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holders of each Outstanding Security affected thereby.

Upon the request of the Issuer, accompanied by a copy of a resolution of the Board of Directors certified by the Secretary or an Assistant Secretary of the Issuer authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Securityholders and other documents, if any, required by Section 6.1 hereof the Trustee shall join with the Issuer in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to enter into such supplemental indenture.

It shall not be necessary for the consent of the Securityholders under this Section 7.2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Issuer and the Trustee of any supplemental indenture pursuant to the

provisions of this Section 7.2, the Issuer shall mail a notice thereof by first-class mail to the Holders of Securities at their addresses as they shall appear on the Securities Register, setting forth in general terms the substance of such supplemental indenture. Any failure of the Issuer to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 7.3 Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Issuer and the Holders of Securities shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all) purposes.

SECTION 7.4 Documents to Be Given to Trustee. The Trustee, subject to the provisions of Section 5.1 and Section 5.2 hereof, may receive an Officers'

Certificate and an Opinion of Counsel as conclusive evidence that any such supplemental indenture complies with the applicable provisions of this Indenture.

SECTION 7.5 Notation of Securities in Respect of Supplemental Indentures. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article Seven may bear a notation in form approved by the Trustee as to any matters provided for by such supplemental indenture or as to any action taken at any such meeting by the Issuer or the Trustee shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Issuer, authenticated by the Trustee and delivered in exchange for the Securities then Outstanding.

ARTICLE VIII

CONSOLIDATION, MERGER, SALE OR CONVEYANCE

SECTION 8.1 Covenant Not to Merge, Consolidate, Sell or Transfer Assets Except Under Certain Conditions. (a) The Issuer shall not consolidate with or merge into any other Person, or sell, convey, transfer or lease its properties and assets substantially as an entirety to any Person, and Issuer shall not permit any Person to consolidate with or merge into the Issuer, unless: (i) immediately prior to and immediately following such consolidation, merger, sale or lease, no Event of Default shall have occurred and be continuing and (ii) the Issuer is the surviving or continuing corporation, or the surviving or continuing corporation or corporation that acquires by sale, conveyance, transfer or lease is incorporated in the United States of America or Canada and expressly assumes the payment and performance of all obligations of the Issuer under the Indenture and the Securities.

(b) Except for the sale of the properties and assets of the Issuer substantially as an entirety pursuant to subsection (a) above, and other than assets required to be sold to conform with governmental regulations, the Issuer shall not sell or otherwise dispose of any assets (other than short-term, readily marketable investments purchased for cash management purposes with funds not representing the proceeds of other asset sales) if on a pro forma basis, the aggregate net book value of all such sales during the most recent 12-month period would exceed 10 percent of Consolidated Net Tangible Assets computed as of the end of the most recent fiscal quarter preceding such sale; provided, however, that any such sales shall be disregarded for purposes of this 10 percent limitation if the proceeds are invested in assets in similar or related lines of business of the Issuer and, provided further, that the Issuer may sell or otherwise dispose of assets in excess of such 10 percent if the proceeds from such sales or dispositions, which are not reinvested as provided above, are retained by the Issuer as cash or cash equivalents or are used by the Issuer to purchase Securities or 1996 Senior Notes which are then delivered to the Trustee for cancelation.

SECTION 8.2 Successor Corporation Substituted. In case of any such consolidation, merger, sale or trans-

fer, and following such an assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Issuer, with the same effect as if it had been named herein.

Such successor corporation may cause to be signed, and may issue either in its own name or in the name of the Issuer prior to such succession

any or all of the Securities issuable hereunder that theretofore shall not have been signed by the Issuer and delivered to the Trustee; and, upon the order of such successor corporation, instead of the Issuer, and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities that previously shall have been signed and delivered by the officers of the Issuer to the Trustee for authentication and any Securities that such successor corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose. All of the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale or transfer such changes in phraseology and form (but not in substance) may be made in the Securities thereafter to be issued as may be appropriate.

In the event of any such sale or transfer (other than a transfer by way of lease) the Issuer or any successor corporation which shall theretofore have become such in the manner described in this Article 8 shall be discharged from all obligations and covenants under this Indenture and the Securities and may be liquidated and dissolved.

SECTION 8.3 Opinion of Counsel to Trustee; Officers' Certificate. The Trustee, subject to the provisions of Section 5.1 and Section 5.2 hereof, shall receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale or transfer, and any such assumption, and any such liquidation or dissolution, complies with the applicable provisions of this Indenture.

ARTICLE IX

SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS

SECTION 9.1 Satisfaction and Discharge of Indenture. If at any time (a) the Issuer shall have paid or caused to be paid the principal and Change of Control purchase price of and premium, if any, and interest on all the Securities Outstanding hereunder, as and when the same shall have become due and payable, or (b) the Issuer shall have delivered to the Trustee for cancelation all Securities theretofore authenticated (other than any Securities which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.7 hereof) or (c)(i) all such Securities not theretofore delivered to the Trustee for cancelation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption under arrangements satisfactory to the Trustee for the giving of notice of redemption, and (ii) the Issuer shall have irrevocably deposited or caused to be deposited with the Trustee as trust funds the entire amount in cash (other than moneys repaid by the Trustee or any paying agent to the Issuer in accordance with Section 9.4 hereof) or U.S. Government Obligations, maturing as to principal, premium, if any, and interest in such amounts and at such times as will insure (without reinvestment) the liability of cash sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay at maturity all such Securities not theretofore delivered to the Trustee for cancelation, including principal, premium, if any, and interest due or to become due to such date of maturity as the case may be, and if, in any such case, the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then this Indenture shall cease to be of further effect (except as to (i) rights of registration of transfer and exchange, and the Issuer's right to optional redemption, (ii) substitution of apparently mutilated, defaced, destroyed, lost or stolen Securities, (iii) rights of Holders to receive payments of principal thereof

(including any Change of Control purchase price previously accrued) and premium, if any, and interest thereon, upon the original stated due dates therefor (but not upon acceleration), (iv) the rights and obligations and immunities of the Trustee hereunder and (v) the rights of

the Securityholders as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them), and the Trustee, on demand of the Issuer accompanied by an Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Issuer, shall execute proper instruments acknowledging such satisfaction of and discharging this Indenture; provided that the rights of Holders of the Securities to receive amounts in respect of principal of and premium, if any, and interest or the Securities held by them shall not be delayed longer than required by then applicable mandatory rules or policies of any securities exchange upon which the Securities are listed.

The Issuer agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred and to compensate the Trustee for any services thereafter reasonably and properly rendered by the Trustee in connection with this Indenture or the Securities.

SECTION 9.2 Application by Trustee of Funds Deposited for Payment of Securities. Subject to Section 9.4 hereof, all moneys deposited with the Trustee pursuant to Section 9.1 hereof shall be held in trust and applied, by it to the payment, either directly or through any paying agent (including the Issuer acting as its own paying agent), to the Holders of the particular Securities for the payment or redemption of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal and Change of Control purchase price, premium, if any, and interest; but such money need not be segregated from other funds except to the extent required by law.

SECTION 9.3 Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture all moneys then held by any paying agent under the provisions of this Indenture shall, upon demand of the Issuer, be repaid to it or paid to the Trustee and thereupon such paying agent shall be released from all further liability with respect to such moneys.

SECTION 9.4 Return of Moneys Held by Trustee and Paying Agent Unclaimed for Two Years. Any moneys deposited with or paid to the Trustee or any paying agent for the payment of the principal or Change of Control purchase price of or premium or interest on any Security

and not applied but remaining unclaimed for two years after the date upon which such principal, Change of Control purchase price, premium or interest shall have become due and payable shall, upon the written request of the Issuer, be repaid to the Issuer by the Trustee or such paying agent, and the Holder of such Security shall, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, thereafter look only to the issuer for any payment which such Holder may be entitled to collect, and all liability of the Trustee or any paying agent with respect to such moneys shall thereupon cease.

SECTION 9.5 Defeasance and Discharge of Indenture. The Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Securities, or the 23rd day after the deposit referred to in subparagraph (A) hereof has been made, and the provisions of this Indenture will no longer be in effect with respect to the Securities (and the Trustee, at the expense of the Issuer, shall execute proper instruments acknowledging the same), except as to:

(a) rights of registration of transfer and exchange, and the Issuer's right of optional redemption, (b) substitution of apparently mutilated, defaced, destroyed, lost or stolen securities, (c) rights of Holders to receive payments of principal (including rights to receive any Change of Control purchase price previously accrued) thereof and premium, if any, and interest thereon, (d) the rights, obligations and immunities of the Trust hereunder, (e) the rights of the Securityholders as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them and (f) the obligations of the Issuer to maintain a place of payment for the Securities under Section 3.1 hereof;

provided that the following conditions shall have been satisfied:

(A) with reference to this Section 9.5 the Issuer has irrevocably deposited or caused to be irrevocably deposited with the Trustee (or another trustee satisfying the requirements of Section 5.8 hereof) as trust funds in trust, specifically pledged as security for, and dedi-

cated solely to, the benefit of the Holders of the Securities, (i) money in an amount, or (ii) U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms (without reinvestment) will provide not later than one day before the due date of any payment referred to in clause (x) or (y) of this subparagraph (A) money in an amount, or (iii) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, after payment of all federal, state and local taxes or other charges and assessments in respect thereof payable by the Trustee, (x) the principal and Change of Control purchase price of, premium, if any, and each installment of principal and interest on the Outstanding Securities at the maturity date of such principal or installment of principal or interest and (y) any mandatory sinking fund payments or analogous payments applicable to the Securities on the day on which such payments are due and payable in accordance with the terms of this Indenture and the Securities;

(B) the Issuer has delivered to the Trustee (i) an Opinion of Counsel to the effect that Holders will not recognize income, gain or loss for federal income tax purposes as a result of the Issuer's exercise of its option under this Section 9.5 and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred, which Opinion of Counsel must be based on (x) a change in applicable federal income tax law or related Treasury Regulations after the date of this Indenture or (y) a ruling received by the Issuer from the Internal Revenue Service to the same effect and (ii) an Opinion of Counsel to the effect that the defeasance trust does not constitute an "investment company" under the Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the

trust fund will not be subject to the effect of Section 547 of the U.S. Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

(C) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default,

shall have occurred and be continuing on the date of such deposit or during the period ending on the 123rd day after the date of such deposit, and such deposit shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Issuer is a party or by which the Issuer is bound; and

(D) if at such time the Securities are listed on a national securities exchange, the Issuer has delivered to the Trustee an Opinion of Counsel to the effect that the Securities will not be delisted as a result of such deposit, defeasance and discharge.

SECTION 9.6 Defeasance of Certain Obligations. The Issuer may omit to comply with any term, provision, or condition set forth in this Indenture in Sections 3.8 and Section 3.9, and Section 4.1(d) (with respect to Sections 3.8 and 3.9) and Sections 4.1(c) and (e) shall be deemed not to be Events of Default on the 123rd day after the deposit referred to in subparagraph (A) hereof if:

(A) with reference to this Section 9.6, the Issuer has irrevocably deposited or caused to be irrevocably deposited with the Trustee (or another trustee satisfying the requirements of Section 5.6 hereof) as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of the Securities, (i) money in an amount, or (ii) U.S. Government Obligations which bought the payment of interest and principal in respect thereof in accordance with their terms (without reinvestment) will provide not later than one day before the due date of any payment referred to in clauses (x) or (y) of this Section 9.6, money in an amount, or (iii) a combination thereof, sufficient, in

the opinion of a nationally recognized firm of independent public accountants expressed in a certification thereof delivered to the Trustee, to pay and discharge, after payment of all federal, state and local taxes or other charges and assessments in respect thereof payable by the Trustee, (x) the principal and Change of Control purchase price of, premium, if any, and each installment of principal and interest on the Outstanding Securities at the maturity date of such principal or installment of principal or interest and (y) any mandatory sinking fund payments or analogous payments applicable to the Securities on the day on which such payments are due and payable in accordance with the terms of this Indenture and the Securities;

(B) the Issuer has delivered to the Trustee (i) an Opinion of Counsel to the effect that Holders will not recognize income, gain or loss for federal income tax purposes as a result of the Issuer's exercise of its option under this Section 9.6 and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred, and (ii) an Opinion of Counsel to the effect that the defeasance trust does not constitute an "investment company" under the Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the U.S. Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

(C) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 123rd day after the date of such deposit, and such deposit shall not result in a breach or violation of or constitute a default under any other agreement or instrument to which the Issuer is a party or by which the Issuer is bound; and

(D) if at such time the Securities are listed on a national securities exchange, the Issuer has

delivered to the Trustee an Opinion of Counsel to the effect that the Securities will not be delisted as a result of such deposit, defeasance and discharge.

ARTICLE X

MISCELLANEOUS PROVISIONS

SECTION 10.1 Incorporators, Shareholders, Officers and Directors of Issuer Exempt from Individual Liability. No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in any Security, or because of any indebtedness evidenced thereby, shall be had against any incorporator, as such, or against any past, present or future shareholder, officer or director, as such, of the Issuer or of any successor, either directly or through the Issuer or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Securities by the Holders thereof and as part of the consideration for the issue of the Securities.

SECTION 10.2 Provisions of the Indenture for the Sole Benefit of Parties and Securityholders. Nothing in this Indenture or in the Securities, expressed or implied, shall give or be construed to give to any Person, other than the parties hereto and their successors and the Holders (and, where expressly set forth herein, owners of interests in any Global Security), any legal or equitable right, remedy or claim under this Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and the Holders (and, where expressly set forth herein, owners of interests in any Global Security).

SECTION 10.3 Successors and Assigns of Issuer Bound by Indenture. All the covenants, stipulations, promises and agreements in this Indenture contained by or in behalf of the Issuer shall bind its successors and assigns, whether so expressed or not.

SECTION 10.4 Notices and Demands on Issuer, Trustee and Securityholders. Any notice or demand which by

any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders to or on the Issuer may be given or served by being deposited postage prepaid, first-class mail (except as otherwise specifically provided herein) addressed (until another address of the Issuer is filed by the Issuer with the Trustee) to NRG Energy, Inc., 1221 Nicollet Mall, Suite 700, Minneapolis, Minnesota 55403, Attention: Chief Financial Officer. Any notice, direction, request or demand by the Issuer or any Securityholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made at the Corporate Trust Office or such office or agency designated for such purpose in Section 3.2 hereof.

Where this Indenture provides for notice to Holders, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder entitled thereto, at his last address as it appears in the Securities Register. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall

affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of or irregularities in regular mail service, it shall be impracticable to mail notice to the Issuer and Securityholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

SECTION 10.5 Officers' Certificates and Opinions of Counsel, Statements to Be Contained Therein. Upon any application or demand by the Issuer to the Trustee to take any action under any of the provisions of this Indenture, the Issuer shall furnish to the Trustee an

Officers' Certificate stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the Person making such certificate or opinion has read such covenant or condition, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (c) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with and (d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

Any certificate, statement or opinion of an officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate, statement or Opinion of Counsel may be based, insofar as it relates to factual matters (information with respect to which is in the possession of the Issuer) upon the certificate, statement or opinion of or representations by an officer or officers of the Issuer, unless such counsel knows that the certificate, statement or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate, statement or opinion of an officer of the Issuer or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Issuer, unless such officer or counsel, as the

case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants or Investment Banker filed with the Trustee shall contain a statement that such firm is independent.

SECTION 10.6 Payments Due on Saturdays, Sundays and Holidays. If the date of maturity of interest on or principal, Change of Control purchase price, or premium, if any, of the Securities or the date fixed for redemption of any Security shall not be a Business Day, then payment of interest, principal, Change of Control purchase price or premium need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

SECTION 10.7 New York Law to Govern. THIS INDENTURE SHALL, PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO THE CHOICE OF LAW PROVISIONS THEREOF (OTHER THAN SUCH SECTION 5-1401).

SECTION 10.8 Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same agreement.

SECTION 10.9 Effect of Headings. The Article and Section Headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

ARTICLE XI

REDEMPTION OF SECURITIES

SECTION 11.1 Right of Optional Redemption Price. The Issuer at its option may, at any time, redeem the Securities, in whole or in part, upon payment of a redemption price equal to the principal amount of the Securities to be redeemed plus accrued and unpaid interest thereon, if any, plus the Applicable Premium.

SECTION 11.2 Notice of Redemption. Notice of redemption to the Holders of Securities to be redeemed shall be given by the Issuer by mailing notice of such redemption by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to such Holders of Securities at their last addresses as they shall appear in the Securities Register. Failure to give notice by mail, or any defect in the notice to the Holder of any Security designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security.

The notice of redemption to each Holder shall specify that the Securities are being redeemed pursuant to this Article 11, the date fixed for redemption, the place or places of payment, the CUSIP and ISIN numbers (as applicable), that payment will be made upon presentation and surrender of the Securities, that interest accrued to the date fixed for redemption will be paid as specified in this Article and that, on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue.

The notice of redemption of Securities to be redeemed at the option of the Issuer shall be given by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer.

At least one Business Day prior to the redemption date specified in the notice of redemption given as provided in this Section 11.2, the Issuer shall deposit with the Trustee or with one or more paying agents (or, if the Issuer is acting as its own paying agent, set aside, segregate and hold in trust as provided in Section 3.4 hereof) an amount of money sufficient to redeem on the

redemption date all the Securities so called for redemption.

SECTION 11.3 Payment of Securities Called for Redemption. If notice of redemption has been given as above provided, the Securities shall become due and payable on the date and at the place stated in such notice at the redemption price, and on and after said date (unless the Issuer shall default in the payment of such Securities at the redemption price) interest on the Securities or portions of Securities so called for redemption shall cease to accrue and, except as provided in Section 5.5 and Section 9.4 hereof, such Securities shall cease from and after the date fixed for redemption to be entitled to any benefit or security under this Indenture, and the Holders thereof shall have no right in respect of such Securities except the right to receive the redemption price thereof. On presentation and surrender of such Securities at a place of payment specified in said notice, said Securities shall be paid and redeemed by the Issuer at the redemption price; provided, that any semiannual payment of interest becoming due on the date fixed for redemption shall be payable to the Holders of such Securities registered as such on the relevant record date subject to the terms and provisions of Section 2.4 hereof.

If any Security called for redemption shall not be so paid, upon surrender thereof for redemption, the principal shall, until paid or duly provided for, bear interest from the date fixed for redemption at the rate borne by the Security.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed and their respective corporate seals to be hereunto affixed and attested, all as of June 17, 1997.

NRG ENERGY, INC.,
as Issuer

By: /s/JULIE JORGENSEN

Name: Julie Jorgensen
Title: Vice President and
General Counsel

Attest:

By: /s/KATHY A. AHNER

Name: Kathy A. Ahner
Title: Notary Public

NORWEST BANK MINNESOTA, NATIONAL
ASSOCIATION, as Trustee

By: /s/CURTIS D. SCHWEGMAN

Name: Curtis D. Schwegman
Title: Assistant Vice President
Corporate Trust Services

Attest:

By: /s/KATHY A. AHNER

Name: Kathy A. Ahner
Title: Notary Public

EXHIBIT A

FORM OF SECURITY

[INCLUDE IF SECURITY IS A GLOBAL SECURITY DEPOSITED WITH THE U.S. DEPOSITARY--UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN EXCHANGE FOR THIS CERTIFICATE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY OR SUCH OTHER REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR CEDE & CO. IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF THE DEPOSITORY TRUST COMPANY OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 2.6 OF THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.]

THIS SENIOR NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAW. NEITHER THE SENIOR NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OR IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SENIOR NOTE BY ITS ACCEPTANCE THEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER THIS SENIOR NOTE PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE DATE HEREOF AND THE LAST DATE ON WHICH NRG OR ANY AFFILIATE OF NRG WAS THE OWNER OF THIS SENIOR NOTE (OR ANY PREDECESSOR OF THIS SENIOR NOTE) ONLY (A) TO NRG, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) SO LONG AS THIS SENIOR NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON IT REASONABLY BELIEVES IS A "QUALI-

FIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (D) PURSUANT

TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, SUBJECT TO THE RIGHT OF NRG PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THE TRUSTEE AND NRG. SUCH HOLDER FURTHER AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SENIOR NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

[FORM OF FACE OF SECURITY]

CUSIP 629377AC6

No. [ ]

$ [ ]

NRG ENERGY, INC.

7-1/2% Senior Notes Due 2007

NRG Energy, Inc. (the "Issuer"), for value received hereby promises to pay to Cede & Co. or registered assigns the principal sum of [ ] Dollars at the Issuer's office or agency for said purpose initially at the Corporate Trust Office of Norwest Bank Minnesota, National Association (herein called the "Trustee") at Corporate Trust, Norwest Center, Sixth and Marquette, Minneapolis, Minnesota 55479-0069 and at the office or agency of the Issuer for said purpose in the Borough of Manhattan, The City of New York, on June 15, 2007 in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semi-annually in arrears on June 15 and December 15 of each year, commencing December 15, 1997, on said principal sum in like coin or currency at the rate per annum set forth above at said offices or agencies from the most recent interest payment date to which interest on the Securities has been paid or duly provided for, unless the date hereof is a date to which interest on the Securities has been paid or duly provided for, in which case from the date of this Security, or unless no interest has been paid or duly provided for on the Securities, in which case from June 17, 1997, until payment of said principal sum has been made or duly provided for. Notwithstanding the foregoing, if the date hereof is after June 1 or December 1, as the case may be, and before the following June 1 or December 1, this Security shall bear interest from such June 15 or December 15; provided, that if the Issuer shall default in the payment of interest due on such June 15 or December 15, then this Security shall bear interest from the next preceding June 15 or December 15 to which interest on the Securities has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Securities, from June 17, 1997.

In the event that (i) the Exchange Offer Registration Statement (as defined in the Registration Rights Agreement between the Issuer and the initial purchasers of the Securities dated June 12, 1997 (the "Registration Rights Agreement")) is not filed with the Securities Exchange Commission (the "Commission") on or prior to the 60th day following the date of original issuance of the Securities, (ii) the Exchange Offer Registration Statement is not declared effective prior to the 180th day following the date of original issuance of the Securities or (iii) the Exchange Offer (as defined in the Registration Rights Agreement) is not consummated or a Shelf Registration Statement (as defined in the Registration Rights Agreement) with respect to the Securities is not declared effective on or prior to the 215th day following the date of original issuance of the Securities, interest will accrue (in addition to stated interest on the Securities) from and including the next day following each of (a) such 60-day period in the case of clause (i) above and (b) such

180-day period in the case of clause (ii) above and (c) such 215-day period in the case of clause (iii) above. In each case such additional interest (the "Special Interest") will be payable in cash semiannually in arrears each June 15, and December 15, commencing December 15, 1997, at a rate per annum equal to 0.25% of the principal amount of the Securities. The aggregate amount of Special Interest payable pursuant to the above provisions will in no event exceed 0.25% per annum of the principal amount of the Securities. Upon (1) the filing of the Exchange Offer Registration Statement after the 60-day period described in clause (i) above, (2) the effectiveness of the Exchange Offer Registration Statement after the 180-day period described in clause (ii) above or (3) the consummation of the Exchange Offer or the effectiveness of a Shelf Registration Statement, as the case may be, after the 215-day period described in clause (iii) above, the Special Interest payable on the Securities from the date of such filing, effectiveness or consummation, as the case may be, will cease to accrue and all accrued and unpaid Special Interest as of the occurrence of (1), (2) or (3) shall be paid to the holders of the Securities promptly thereafter. Following the occurrence of (1), (2) or (3) above, the terms of the Securities shall revert to the original terms set forth in the preceding paragraph.

In the event that a Shelf Registration Statement is declared effective, if the Issuer fails to keep such Registration Statement continuously effective for the period required by the Registration Rights Agreement, then such time as the

Shelf Registration Statement is no longer effective until the earlier of (i) the date that the Shelf Registration Statement is again deemed effective, (ii) the date that is the second anniversary of the date set forth on the reverse of this Security or (iii) the date as of which all of the Securities are sold pursuant to the Shelf Registration Statement, Special Interest shall accrue at a rate per annum equal to 0.25% of the principal amount of the Securities and shall be payable in cash semiannually in arrears each June 15 and December 15, commencing December 15 1997. For all purposes this Security, Special Interest will be treated as interest.

The interest so payable on any June 15 or December 15 will, except as otherwise provided in the Indenture referred to on the reverse hereof, be paid to the Person in whose name this Security is registered at the close of business on the 1st day of June or the 1st day of December preceding such June 15 or December 15, whether or not such day is a Business Day; provided, that principal, premium, if any, and interest shall be paid by mailing a check for such to or upon the written order of the registered Holders of Securities entitled thereto at their last address as it appears on the Securities Register or, upon written application to the Trustee by a Holder of $1,000,000 or more in aggregate principal amount of Securities, by wire transfer of immediately available funds to an account maintained by such Holder with a bank or other financial institution. Interest on this Security shall be computed on the basis of a 360-day year of twelve 30-day months.

Interest on overdue principal and (to the extent permitted by applicable law) on overdue installments of interest (including without limitation during the 30-day period referred to in Section 4.1(b)) shall accrue at the rate per annum set forth above.

Reference is made to the further provisions set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory, until the certificate of authentication

hereof shall have been duly signed by the Trustee acting under the Indenture.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed under its corporate seal.

NRG ENERGY, INC.

[Seal]

By:

Title:

ATTEST:

By:
- ---
Name:
Title:

Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Dated:

This is one of the Securities referred to in the within-mentioned Indenture.

NORWEST BANK MINNESOTA, NATION-
AL ASSOCIATION, as Trustee

Authorized Signatory

REVERSE OF SECURITY

NRG ENERGY, INC.

7-1/2% Senior Notes Due 2007

This Security is one of a duly authorized issue of debt securities of the Issuer, limited to the aggregate principal amount of $[ ] (except as otherwise provided in the Indenture mentioned below), issued or to be issued pursuant to an Indenture dated as of June 1, 1997 (the "Indenture"), duly executed and delivered by the Issuer to the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the Holders (the words "Holders" or "Holder" meaning the registered holders or registered holder) of the Securities. Capitalized terms used herein, but not otherwise defined herein, shall have the meanings assigned to them in the Indenture.

In case an Event of Default shall have occurred and be continuing, the principal of all the Securities may be declared due and payable, in the manner and with the effect, and subject to the conditions, provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be waived by the Holders of a majority in aggregate principal amount of the Securities then Outstanding and that, prior to any such declaration, such Holders may waive any past default under the Indenture and its consequences except a default in the payment of principal of or premium, if any, or interest on any of the Securities. Any such consent or waiver by the

Holder of this Security (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Security and any Security which may be issued in exchange or substitution hereof, whether or not any notation thereof is made upon this Security or such other Securities.

The Indenture permits the Issuer and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities at the time

Outstanding, evidenced as in the Indenture provided, to modify the Indenture or any supplemental indentures or the rights of the Holders of the Securities; provided that no such modification shall (a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable on the redemption thereof or impair or affect the rights of any Securityholder to institute suit for the payment thereof or make any change in Section 3.9 of the Indenture (which relates to the obligation of the Issuer to offer to purchase the Securities upon a Change of Control, as described below) which adversely affects the rights of the Holders of the Securities without the consent of the Holder of each Security so affected; (b) reduce the aforesaid percentage of Securities, the consent of the Holders of which is required for any such modification or the percentage of Securities, the consent of Holders of which is required for any waiver provided for in the Indenture; (c) change any obligation of the Issuer to maintain an office or agency for payment of and transfer and exchange of the Securities; or (d) make certain changes to provisions relating to waiver or to the provision for supplementing the Indenture; in each case without consent of the Holders of all Securities then Outstanding.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Security at the place, times, and rate, and in the currency, herein prescribed.

The Securities are issuable only as registered Securities without coupons in denominations of $100,000 and any integral multiple of $1,000 in excess thereof.

At the office or agency of the Issuer referred to on the face hereof and in the manner subject to the limitations provided in the Indenture, Securities may be presented for exchange for a like aggregate principal amount of Securities of other authorized denominations.

Upon due presentment for registration of transfer of this Security at the above-mentioned office or agency of the Issuer, a new Security or Securities of authorized denominations, for a like aggregate principal amount, will be issued to the transferee as provided in the Indenture. No service

charge shall be made for any such transfer, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

The Securities may be redeemed in whole or in part (if in part, by lot or by such other method as the Trustee shall deem fair or appropriate) prior to Stated Maturity at the option of the Issuer, on any date, upon mailing a notice of such redemption not less than 30 nor more than 60 days prior to the date fixed for redemption to the Holders of Securities, all as provided in the

Indenture, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon, if any, to the date of redemption, plus the Applicable Premium. The Applicable Premium shall be computed by an independent investment banking institution of national standing selected by the Issuer and shall equal the excess (if any) of (i) the sum of the present values of all the remaining scheduled payments of principal and interest from the redemption date to maturity of the Security computed on a semi-annual basis by discounting such payments using a rate equal to the Treasury Rate (as defined in the Indenture) plus 25 basis points over (ii) the aggregate unpaid principal amount of the Security to be redeemed, plus any accrued but unpaid interest thereon.

In the event of a Change of Control (as defined in the Indenture), the Issuer has the obligation, subject to certain conditions, to offer to purchase the Securities at 101% of the principal amount thereof plus accrued interest to the date of purchase in accordance with the procedures set forth in the Indenture. As further described in the Indenture, a Change of Control will not be deemed to have occurred if, after giving effect thereto, the Securities are rated Investment Grade (as defined in the Indenture).

Subject to payment by the Issuer of a sum sufficient to pay the amount due on redemption, interest on this Security shall cease to accrue upon the date duly fixed for redemption of this Security.

The Issuer, the Trustee, and any authorized agent of the Issuer or the Trustee, may deem and treat the registered Holder hereof as the absolute owner of this Security (whether or not this Security shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Issuer or the Trustee or any authorized agent of the Issuer or the Trustee), for the purpose of receiving

payment of, or on account of, the principal hereof and premium, if any, and, subject to the provisions on the face hereof, interest hereon and for all other purposes, and neither the Issuer nor the Trustee nor any authorized agent of the Issuer or the Trustee shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of, or premium, if any, of the interest on this Security, for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Issuer or of any successor corporation, either directly or through the Issuer or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

FORM OF ASSIGNMENT

I or we assign and transfer this Security to:

(Insert assignee's social security or tax I.D. number)

- ---

- ---

- ---

- ---

(Print or type name, address and zip code of assignee)

and irrevocably appoint:

- ----------

- ----------

Agent to transfer this Security on the books of the Issuer. The Agent may substitute another to act for him.

Date: ---------- Your Signature: ----------

(Sign exactly as your name appears on the other side of this Security)

*Signature Guarantee: ----------

*Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in STAMP or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934.

FORM OF OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have this Security purchased by the Issuer pursuant to Section 3.9 of the Indenture, check the Box: [ ].

If you wish to have a portion of this Security purchased by the Issuer pursuant to Section 3.9 of the Indenture, state the amount (in original principal amount):

$ ----------

Date: ---------- Your Signature: ----------

(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee: ----------

EXHIBIT B

FORM OF RESTRICTED PERIOD CERTIFICATE
NRG ENERGY, INC.

[DATE]

The Depository Trust Company
[Address]

Norwest Bank Minnesota, North America,
As Trustee
Corporate Trust
Norwest Center
Sixth and Marquette
Minneapolis, Minnesota 55479-0069

Re: NRG Energy, Inc. 7 1/2% Senior Notes Due 2007

Ladies and Gentlemen:

Reference is hereby made to the Indenture dated as of June 1, 1997 (the "Indenture") from NRG Energy, Inc., to Norwest Bank Minnesota N.A., as Trustee. Capitalized terms used and not defined herein shall have the meanings given them in the Indenture.

This letter is related to U.S. $ principal amount of Securities represented by the Restricted Regulation S Global Security, held by the Trustee pursuant to Section 2.4 of the Indenture. We hereby certify that the offering of the Securities has closed and that the restricted period (as defined in Regulation S) with respect to the offer and sale of the Securities has terminated.

NRG ENERGY, INC.

By:

Name:
Title:

cc: Euroclear
CEDEL

EXHIBIT C

FORM OF TRANSFER CERTIFICATE
FOR TRANSFER OR EXCHANGE FROM RULE 144A GLOBAL SECURITY
TO RESTRICTED REGULATION S GLOBAL SECURITY
(Transfers or exchanges pursuant to
Section 2.6(b)(ii) of the Indenture)

Norwest Bank Minnesota, North America,
as Trustee
Corporate Trust
Norwest Center
Sixth and Marquette
Minneapolis, Minnesota 55479-0069

Re: NRG Energy, Inc. 7 1/2% Senior Notes
Due 2007 (the "Securities")

Reference is hereby made to the Indenture dated as of June 1, 1997 (the "Indenture") from NRG Energy, Inc. to Norwest Bank Minnesota N.A., as

Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S. $ principal amount of Securities which are held in the form of the Rule 144A Global Security (CUSIP No. 629377AC6) with the U.S. Depository in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested a transfer or exchange of such beneficial interest for an interest in the Restricted Regulation S Global Security (CUSIP No. U66962AB4) to be held by [Euroclear] [Cedel] (Common Code) through the U.S. Depositary.

In connection with such request and in respect of such Securities, the Transferor does hereby certify that such transfer or exchange has been effected in accordance with the transfer restrictions set forth in the Indenture and the Securities and pursuant to and in accordance with Regulation S under the Securities Act, and accordingly the Transferor does hereby certify that:

(1) the offer of the Securities was not made to a person in the United States;

[(2) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States;]*

[(2) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was pre-arranged with a buyer in the United States;]1

(3) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable; and

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

[Insert Name of Transferor]

By:

Name:
Title:

Dated: , 199
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cc: NRG Energy, Inc.

- ---
1 Insert one of these two provisions, which come from the definition of "offshore transactions" in Regulation S.

EXHIBIT D

FORM OF TRANSFER CERTIFICATE

FOR TRANSFER OR EXCHANGE FROM RULE 144A GLOBAL SECURITY
TO UNRESTRICTED REGULATION S GLOBAL SECURITY
(Exchanges or transfers Pursuant to ss. 2.6(b)(iii)
of the Indenture)

Norwest Bank Minnesota, North America,
as Trustee
Corporate Trust
Norwest Center
Sixth and Marquette
Minneapolis, Minnesota 55479-0069

Re: NRG Energy, Inc. 7 1/2% Senior Notes
Due 2007 (the "Securities")

Reference is hereby made to the Indenture as of June 1, 1997 (the "Indenture") NRG Energy, Inc., to Norwest Bank Minnesota N.A., as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S. $ principal amount of Securities which are held in the form of the Rule 144A Global Security (CUSIP No. 629377AC6 with the U.S. Depositary in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such beneficial interest in the Securities for an interest in the Unrestricted Regulation S Global Security (CUSIP No. U66962AB4).

In connection with such request and in respect of such Securities, the Transferor does hereby certify that such exchange or transfer has been effected in accordance with the transfer restrictions set forth in the Indenture and the Securities and, (i) with respect to transfers made in reliance on Regulation S under the Securities Act, the Transferor does hereby certify that:

(1) the offer of the Securities was not made to a person in the United States;

[(2) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States;]*

[(2) the transaction was executed in, on or through the facilities of a designated offshore securi-

ties market and neither the Transferor nor any person acting on its behalf knows that the transaction was pre-arranged with a buyer in the United States;]2

(3) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable; and

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the United States Securities Act of 1933, as amended (the "Securities Act");

(ii) with respect to transfers made in reliance on Rule 144 under the Securities Act, certify that the Securities are being transferred in a transaction permitted by Rule 144 under the Securities Act.

(iii) with respect to transfers made in reliance on another exemption from the Securities Act (including without limitation Rule 144A), the following is the basis for the exemption; , and

(iv) with respect to an exchange, either (x) the Security being exchanged is not a "restricted security" as defined in Rule 144 under the Securities Act or (y) the exchange is being made to facilitate a contemporaneous transfer with Section 2.6(b)(iii) of the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

[Insert Name of Transferor]

By: _____

Name:
Title:

- ---
2 Insert one of these two provisions, which come from the definition of "offshore transactions" in Regulation S.

Dated: _____, 199_

cc: NRG Energy, Inc.

EXHIBIT E

FORM OF TRANSFER CERTIFICATE FOR TRANSFER OR EXCHANGE FROM RESTRICTED REGULATION S GLOBAL SECURITY OR UNRESTRICTED REGULATION S GLOBAL SECURITY TO RULE 144A GLOBAL SECURITY (Exchanges or transfers Pursuant to Section 2.6(b)(iv) of the Indenture)

Norwest Bank Minnesota, North America,
as Trustee
Corporate Trust
Norwest Center
Sixth and Marquette
Minneapolis, Minnesota 55479-0069

Re: NRG Energy, Inc. 7 1/2% Senior Notes Due 2007 (the "Securities")

Reference is hereby made to the Indenture dated as of June 1, 1997 (the "Indenture") NRG Energy, Inc., to Norwest Bank Minnesota N.A., as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S. $ principal amount of Securities which are held in the form of the [[Restricted] [Unrestricted] Regulation S Global Security (CUSIP No. (U66962AB4) with [Euroclear] [Cedel].3 (Common Code)] through the U.S. Depositary in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested a transfer or exchange of such beneficial interest in the Securities for an interest in the Rule 144A Global Security.

In connection with such request, and in respect of such Securities, the Transferor does hereby certify that such Securities are being transferred or exchanged in accordance with (i) the transfer restrictions set forth in the Securities and (ii) Rule 144A under the Securities Act to a transferee that the Transferor reasonably believes is purchasing the Securities for its own account or an account with respect to which the transferee exercises sole investment discretion and the transferee and any such account is a "qualified institutional buyer" within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

- ----------
3 Select appropriate depositary.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

[Insert Name of Transferor]

By:

Name:
Title:

Dated: , 199
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cc: NRG Energy, Inc.

EXHIBIT 4.2

FORM OF EXCHANGE NOTE

[INCLUDE IF SECURITY IS A GLOBAL SECURITY DEPOSITED WITH THE U.S. DEPOSITARY --UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN EXCHANGE FOR THIS CERTIFICATE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY OR SUCH OTHER REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR CEDE & CO. IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF THE DEPOSITORY TRUST COMPANY OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 2.6 OF THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.]

[FORM OF FACE OF SECURITY]

CUSIP [ ]

No. [ ]

$ [ ]

NRG ENERGY, INC.

7-1/2% Senior Notes Due 2007

NRG Energy, Inc. (the "Issuer"), for value received hereby promises to pay to Cede & Co. or registered assigns the principal sum of [ ] Dollars at the Issuer's office or agency for said purpose initially at the Corporate Trust Office of Norwest Bank Minnesota, National Association (herein called the "Trustee") at Corporate Trust, Norwest Center, Sixth and Marquette, Minneapolis, Minnesota 55479-0069 and at the office or agency of the Issuer for said purpose in the Borough of Manhattan, The City of New York, on June 15, 2007 in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semi-annually in arrears on June 15 and December 15 of each year, commencing December 15, 1997, on said principal sum in like coin or currency at the rate per annum set forth above at said offices or agencies from the most recent interest payment date to which interest on the Securities has been paid or duly provided for, unless the date hereof is a date to which interest on the Securities has been paid or duly provided for, in which case from the date of this Security, or unless no interest has been paid or duly provided for on the Securities, in which case from June 17, 1997, until payment

of said principal sum has been made or duly provided for. Notwithstanding the foregoing, if the date hereof is after June 1 or December 1, as the case may be, and before the following June 1 or December 1, this Security shall bear interest from such June 15 or December 15; provided, that if the Issuer shall default in the payment of interest due on such June 15 or December 15, then this Security shall bear interest from the next preceding June 15 or December 15 to which interest on the Securities has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Securities, from June 17, 1997.

The interest so payable on any June 15 or December 15 will, except as otherwise provided in the Indenture referred to on the reverse hereof, be paid to the Person in whose name this Security is registered at the close of business on the 1st day of June or the 1st day of December preceding such June 15 or December 15, whether or not such day is a Business Day; provided, that principal, premium, if any, and interest shall be paid by mailing a check for such to or upon the written order of the registered Holders of Securities entitled thereto at their last address as it appears on the Securities

Register or, upon written application to the Trustee by a Holder of $1,000,000 or more in aggregate principal amount of Securities, by wire transfer of immediately available funds to an account maintained by such Holder with a bank or other financial institution. Interest on this Security shall be computed on the basis of a 360-day year of twelve 30- day months.

Interest on overdue principal and (to the extent permitted by applicable law) on overdue installments of interest (including without limitation during the 30-day period referred to in Section 4.1(b)) shall accrue at the rate per annum set forth above.

Reference is made to the further provisions set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory, until the certificate of authentication hereof shall have been duly signed by the Trustee acting under the Indenture.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed under its corporate seal.

NRG ENERGY, INC.

[Seal]

By:

Name:
Title:

ATTEST:

By:

- ---------- ----------

Name: Name:

Title: Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Dated:

This is one of the Securities referred to in the within-mentioned Indenture.

NORWEST BANK MINNESOTA,
NATIONAL ASSOCIATION, as Trustee

Authorized Signatory

REVERSE OF SECURITY

NRG ENERGY, INC.

7-1/2% Senior Notes Due 2007

This Security is one of a duly authorized issue of debt securities of the Issuer, limited to the aggregate principal amount of $[ ] (except as otherwise provided in the Indenture mentioned below), issued or to be issued pursuant to an Indenture dated as of June 1, 1997 (the "Indenture"), duly executed and delivered by the Issuer to the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the Holders (the words "Holders" or "Holder" meaning the registered holders or registered holder) of the Securities. Capitalized terms used herein, but not otherwise defined herein, shall have the meanings assigned to them in the Indenture.

In case an Event of Default shall have occurred and be continuing, the principal of all the Securities may be declared due and payable, in the manner and with the effect, and subject to the conditions, provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be waived by the Holders of a majority in aggregate principal amount of the Securities then Outstanding and that, prior to any such declaration, such Holders may waive any past default under the Indenture and its consequences except a default in the payment of principal of or premium, if any, or interest on any of the Securities. Any such consent or waiver by the Holder of this Security (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Security and any Security which may be issued in exchange or

substitution hereof, whether or not any notation thereof is made upon this Security or such other Securities.

The Indenture permits the Issuer and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding, evidenced as in the Indenture provided, to modify the Indenture or any supplemental indentures or the rights of the Holders of the Securities; provided that no such modification shall (a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable on the redemption thereof or impair or affect the rights of any Securityholder to institute suit for the payment thereof or make any change in Section 3.9 of the Indenture (which relates to the obligation of the Issuer to offer to purchase the

Securities upon a Change of Control, as described below) which adversely affects the rights of the Holders of the Securities without the consent of the Holder of each Security so affected; (b) reduce the aforesaid percentage of Securities, the consent of the Holders of which is required for any such modification or the percentage of Securities, the consent of Holders of which is required for any waiver provided for in the Indenture; (c) change any obligation of the Issuer to maintain an office or agency for payment of and transfer and exchange of the Securities; or (d) make certain changes to provisions relating to waiver or to the provision for supplementing the Indenture; in each case without consent of the Holders of all Securities then Outstanding.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Security at the place, times, and rate, and in the currency, herein prescribed.

The Securities are issuable only as registered Securities without coupons in denominations of $100,000 and any integral multiple of $1,000 in excess thereof.

At the office or agency of the Issuer referred to on the face hereof and in the manner subject to the limitations provided in the Indenture, Securities may be presented for exchange for a like aggregate principal amount of Securities of other authorized denominations.

Upon due presentment for registration of transfer of this Security at the above-mentioned office or agency of the Issuer, a new Security or Securities of authorized denominations, for a like aggregate principal amount, will be issued to the transfer- ee as provided in the Indenture. No service charge shall be made for any such transfer, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

The Securities may be redeemed in whole or in part (if in part, by lot or by such other method as the Trustee shall deem fair or appropriate) prior to Stated Maturity at the option of the Issuer, on any date, upon mailing a notice of such redemption not less than 30 nor more than 60 days prior to the date fixed for redemption to the Holders of Securities, all as provided in the Indenture, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon, if any, to the date of redemption, plus the Applicable Premium. The Applicable Premium shall be computed by an independent investment banking institution of national standing selected by the Issuer and shall equal the excess (if any) of (i) the sum of the present values

of all the remaining scheduled payments of principal and interest from the redemption date to maturity of the Security computed on a semi-annual basis by discounting such payments using a rate equal to the Treasury Rate (as defined in the Indenture) plus 25 basis points

over (ii) the aggregate unpaid principal amount of the Security to be redeemed, plus any accrued but unpaid interest thereon.

In the event of a Change of Control (as defined in the Indenture), the Issuer has the obligation, subject to certain conditions, to offer to purchase the Securities at 101% of the principal amount thereof plus accrued interest to the date of purchase in accordance with the procedures set forth in the Indenture. As further described in the Indenture, a Change of Control will not be deemed to have occurred if, after giving effect thereto, the Securities are rated Investment Grade (as defined in the Indenture).

Subject to payment by the Issuer of a sum sufficient to pay the amount due on redemption, interest on this Security shall cease to accrue upon the date duly fixed for redemption of this Security.

The Issuer, the Trustee, and any authorized agent of the Issuer or the Trustee, may deem and treat the registered Holder hereof as the absolute owner of this Security (whether or not this Security shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Issuer or the Trustee or any authorized agent of the Issuer or the Trustee), for the purpose of receiving payment of, or on account of, the principal hereof and premium, if any, and, subject to the provisions on the face hereof, interest hereon and for all other purposes, and neither the Issuer nor the Trustee nor any authorized agent of the Issuer or the Trustee shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of, or premium, if any, of the interest on this Security, for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Issuer or of any successor corporation, either directly or through the Issuer or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

FORM OF ASSIGNMENT

I or we assign and transfer this Security to:

(Insert assignee's social security or tax I.D. number)

- ---

- ---

- ---

- ---
(Print or type name, address and zip code of assignee)

and irrevocably appoint:

- ---

- ---

Agent to transfer this Security on the books of the Issuer. The Agent may substitute another to act for him.

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of this Security)

*Signature Guarantee: _____

*Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in STAMP or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934.

FORM OF OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have this Security purchased by the Issuer pursuant to Section 3.9 of the Indenture, check the Box: [ ].

If you wish to have a portion of this Security purchased by the Issuer pursuant to Section 3.9 of the Indenture, state the amount (in original principal amount):

$ _____

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee: _____

_____

NRG ENERGY, INC.

$250,000,000 7 1/2% SENIOR NOTES DUE 2007

REGISTRATION RIGHTS AGREEMENT

New York, New York

June 12, 1997

Salomon Brothers Inc
ABN AMRO Chicago Corporation
Chase Securities Inc.
As Representatives of the Initial Purchasers
In care of Salomon Brothers Inc
Seven World Trade Center
New York, New York 10048

Ladies and Gentlemen:

NRG Energy, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to certain purchasers (the "Initial Purchasers"), upon the terms set forth in a Purchase Agreement of even date herewith (the "Purchase Agreement") its 7 1/2% Senior Notes Due 2007 (the "Securities") (the "Initial Placement"). As an inducement to the Initial Purchasers to enter into the Purchase Agreement and in satisfaction of a condition to your obligations thereunder, the Company agrees with you, (i) for your benefit and the benefit of the other Initial Purchasers and (ii) for the benefit of the holders from time to time of the Transfer Restricted Securities (as defined herein) (including you and the other Initial Purchasers) (each of the foregoing a "Holder" and together the "Holders"), as follows:

1. Definitions. Capitalized terms used herein without definition shall have their respective meanings set forth in the Purchase Agreement. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Affiliate" of any specified person means any other person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such specified person. For purposes of this definition, control of a person means the power, direct or indirect, to direct or cause the direction of the management and policies of such person whether by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Closing Date" has the meaning set forth in the Purchase Agreement.

"Commission" means the Securities and Exchange Commission.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Exchange Offer Registration Period" means the 30 day period following the consummation of the Registered Exchange Offer, exclusive of any period during which any stop order shall be in effect suspending the effectiveness of the Exchange Offer Registration Statement.

"Exchange Offer Registration Statement" means a registration statement of the Company on an appropriate form under the Act with respect to the

Registered Exchange Offer, all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Exchanging Dealer" means any Holder (which may include the Initial Purchasers) which is a broker-dealer, electing to exchange Securities acquired for its own account as a result of market-making activities or other trading activities, for New Securities.

"Final Memorandum" has the meaning set forth in the Purchase Agreement.

"Holder" has the meaning set forth in the preamble hereto.

"Indenture" means the Indenture relating to the Securities dated as of June 1, 1997, between the Company and Norwest Bank Minnesota, National Association, as trustee, as the same may be amended from time to time in accordance with the terms thereof.

"Initial Placement" has the meaning set forth in the preamble hereto.

"Majority Holders" means the Holders of a majority of the aggregate principal amount of securities registered under a Registration Statement.

"Managing Underwriters" means the investment banker or investment bankers and manager or managers that shall administer an underwritten offering.

"New Securities" means debt securities of the Company identical in all material respects to the Securities (except that the cash interest and interest rate step-up provisions and the transfer restrictions will be modified or eliminated, as described herein), to be issued under the Indenture or the New Securities Indenture.

"Prospectus" means the prospectus included in any Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Securities or the New Securities, covered by such Registration Statement, and all amendments and supplements to the Prospectus, including post-effective amendments.

"Registered Exchange Offer" means the proposed offer to the Holders to issue and deliver to such Holders, in exchange for the Securities, a like principal amount of the New Securities.

"Registration Statement" means any Exchange Offer Registration Statement or Shelf Registration Statement that covers any of the Securities or the New Securities pursuant to the provisions of this Agreement, amendments and supplements to such registration statement,

including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Securities" has the meaning set forth in the preamble hereto.

"Shelf Registration" means a registration effected pursuant to Section 3 hereof.

"Shelf Registration Period" has the meaning set forth in Section 3(b) hereof.

"Shelf Registration Statement" means a "shelf" registration statement of the Company pursuant to the provisions of Section 3 hereof which covers some or all of the Securities or New Securities, as applicable, on an appropriate form under Rule 415 under the Act, or any similar rule that may be adopted by the Commission, amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Transfer Restricted Security" means each Security or New Security until (i) the date on which such Transfer Restricted Security has been exchanged by a person other than a broker dealer for a New Security in the Registered Exchange Offer that is freely transferable under the Act, (ii) following the exchange by a broker dealer in the Registered Exchange Offer of a Transfer Restricted Security for a New Security, the date on which such New Security is sold to a purchaser who receives from such broker dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (iii) the date on which such Transfer Restricted Security has been effectively registered under the Act and disposed of in accordance with the Shelf Registration statement or (iv) the date on which such Transfer Restricted Security is distributed to the public pursuant to Rule 144 under the Act or is saleable pursuant to Rule 144(k) under the Act.

"Trustee" means the trustee with respect to the Securities under the Indenture.

"Underwriter" means any underwriter of Securities in connection with an offering thereof under a Shelf Registration Statement.

2. Registered Exchange Offer; Resales of New Securities by Exchanging Dealers; Private Exchange. (a) The Company shall prepare and, not later than 60 days following the Closing Date (or if the 60th day is not a business day, the first business day thereafter), shall file with the Commission the Exchange Offer Registration Statement with respect to the Registered Exchange Offer. The Company shall use its best efforts to cause the Exchange Offer Registration Statement to become effective under the Act within 180 days of the Closing Date (or if the 180th day is not a business day, the first business day thereafter).

(b) Upon the effectiveness of the Exchange Offer Registration Statement, the Company shall promptly commence the Registered Exchange Offer, it being the objective of such Registered Exchange Offer to enable each Holder electing to exchange Securities for New Securities (assuming that such Holder is not an affiliate of the Company within the meaning of the Act, acquires the New Securities in the ordinary course of such Holder's business and has no arrangements with any person to participate in the distribution of the New Securities) to trade such New Securities from and after their receipt without any limitations or restrictions under the Act and without material restrictions under the securities laws of a substantial proportion of the several states of the United States.

(c) In connection with the Registered Exchange Offer, the Company shall:

(i) mail to each Holder a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(ii) keep the Registered Exchange Offer open for not less than 30 days after the date notice thereof is mailed to the Holders (or longer if required by applicable law);

(iii) utilize the services of a depositary for the Registered Exchange Offer with an address in the Borough of Manhattan, The City of New York; and

(iv) comply in all respects with all applicable laws.

(d) As soon as practicable after the close of the Registered Exchange Offer, the Company shall:

(i) accept for exchange all Securities tendered and not validly withdrawn pursuant to the Registered Exchange Offer;

(ii) deliver to the Trustee for cancellation all Securities so accepted for exchange; and

(iii) cause the Trustee promptly to authenticate and deliver to each Holder of Securities New Securities equal in principal amount to the Securities of such Holder so accepted for exchange.

(e) The Initial Purchasers and the Company acknowledge that, pursuant to interpretations by the Commission's staff of Section 5 of the Act, and in the absence of an applicable exemption therefrom, each Exchanging Dealer is required to deliver a Prospectus in connection with a sale of any New Securities received by such Exchanging Dealer pursuant to the Registered Exchange Offer in exchange for Securities acquired for its own account as a result of market-making activities or other trading activities. Accordingly, the Company shall:

(i) include the information set forth in Annex A hereto on the cover of the Exchange Offer Registration Statement, in Annex B hereto in the forepart of the Exchange Offer Registration Statement in a section setting forth details of the Exchange Offer, and in Annex C hereto in the underwriting or plan of distribution section of the Prospectus forming a part of the Exchange Offer Registration Statement, and include the information set forth in Annex D hereto in the Letter of Transmittal delivered pursuant to the Registered Exchange Offer; and

(ii) use its best efforts to keep the Exchange Offer Registration Statement continuously effective under the Act during the Exchange Offer Registration Period for delivery by Exchanging Dealers in connection with sales of New Securities received pursuant to the Registered Exchange Offer, as contemplated by Section 5(h) below.

(f) In the event that any Initial Purchaser determines that it is not eligible to participate in the Registered Exchange Offer with respect to the exchange of Securities constituting any portion of an unsold allotment, at the request of such Initial Purchaser, the Company shall issue and deliver to such Initial Purchaser or the party purchasing New Securities registered under a Shelf Registration Statement as contemplated by Section 3 hereof from such Initial Purchaser, in exchange for such Securities, a like principal amount of New Securities. The Company shall seek to cause the CUSIP Service Bureau to issue the same CUSIP number for such New Securities as for New Securities issued pursuant to the Registered Exchange Offer.

3. Shelf Registration. If, (i) because of any change in law or applicable interpretations thereof by the Commission's staff, the Company determines upon advice of its outside counsel that it is not permitted to effect the Registered Exchange Offer as contemplated by Section 2 hereof, or (ii) if for any other reason the Exchange Offer Registration Statement is not

declared effective within 180 days of the date hereof (or if the 180th day is not a business day, the first business day thereafter), or (iii) if any Initial Purchaser so requests with respect to Securities held by it following consummation of the Registered Exchange Offer, or (iv) if any Holder (other than an Initial Purchaser) is not eligible to participate in the Registered Exchange Offer because of any change in law or applicable interpretations of the staff of the Commission or otherwise or (v) in the case of any Initial Purchaser that participates in the Registered Exchange Offer or acquires New Securities pursuant to Section 2(f) hereof, such Initial Purchaser does not receive freely tradeable New Securities in exchange for Securities (it being understood that, for purposes of this Section 3, (x) the requirement that an Initial Purchaser deliver a Prospectus containing the information required by Items 507 and/or 508 of

Regulation S-K under the Act in connection with sales of New Securities acquired in exchange for such Securities shall result in such New Securities being not "freely tradeable" but (y) the requirement that an Exchanging Dealer deliver a Prospectus in connection with sales of New Securities acquired in the Registered Exchange Offer in exchange for Securities acquired as a result of market-making activities or other trading activities shall not result in such New Securities being not "freely tradeable"), the following provisions shall apply:

(a) The Company shall as promptly as practicable (but in no event more than 30 days (or if the 30th day is not a business day, the first business day thereafter) after so required or requested pursuant to this Section 3), file with the Commission and thereafter shall use its best efforts to cause to be declared effective under the Act by the 215th day (or if the 215th day is not a business day, the first business day thereafter) after the original issuance of the Securities a Shelf Registration Statement relating to the offer and sale of the Securities or the New Securities, as applicable, by the Holders from time to time in accordance with the methods of distribution elected by such Holders and set forth in such Shelf Registration Statement (such Securities or New Securities, as applicable, to be sold by Holders under such Shelf Registration Statement being referred to herein as "Registrable Securities"); provided, that with respect to New Securities received by an Initial Purchaser in exchange for Securities constituting any portion of an unsold allotment, the Company may, if permitted by current interpretations by the Commission's staff, file a post-effective amendment to the Exchange Offer Registration Statement containing the information required by Regulation S-K Items 507 and/or 508, as applicable, in satisfaction of its obligations under this paragraph (a) with respect thereto, and any such Exchange Offer Registration Statement, as so amended, shall be referred to herein as, and governed by the provisions herein applicable to, a Shelf Registration Statement.

(b) The Company shall use its best efforts to keep the Shelf Registration Statement continuously effective in order to permit the Prospectus forming part thereof to be usable by Holders for a period of two years from the date the Shelf Registration Statement is declared effective by the Commission or until one year

after such effective date if such Shelf Registration Statement is filed at the request of an Initial Purchaser or such shorter period that will terminate when all the Securities or New Securities, as applicable, covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement (in any such case, such period being called the "Shelf Registration Period"). The Company shall be deemed not to have used its best efforts to keep the Shelf Registration Statement effective during the requisite period if it voluntarily takes any action that would result in Holders of securities covered thereby not being able to offer and sell such securities during that period,

unless (i) such action is required by applicable law, or (ii) such action is taken by the Company in good faith and for valid business reasons (not including avoidance of the Company's obligations hereunder), including the acquisition or divestiture of assets, so long as the Company promptly thereafter complies with the requirements of Section 5(k) hereof, if applicable.

4. Special Interest. In the event that either (i) the Exchange Offer Registration Statement is not filed with the Commission on or prior to the 60th day following the Closing (or if the 60th day is not a business day, the first business day thereafter), (ii) the Exchange Offer Registration Statement is not declared effective prior to the 180th day following the Closing Date (or if the 180th day is not a business day, the first business day thereafter) or (iii) the Registered Exchange Offer is not consummated or a Shelf Registration Statement with respect to the Securities is not declared effective on or prior to the 215th day following the date of original issuance of the Securities (or if the 215th day is not a business day, the first business day thereafter), interest will accrue (in addition to stated interest on the Securities) from and including the next day following each of (a) such 60-day period in the case of clause (i) above and (b) such 180-day period in the case of clause (ii) above and (c) such 215-day period in the case of clause (iii) above. In each case such additional interest (the "Special Interest") will be payable in cash semiannually in arrears each June 15, and December 15, commencing December 15, 1997, at a rate per annum equal to 0.25% of the principal amount of the Securities. The aggregate amount of Special Interest payable pursuant to the above provisions will in no event exceed 0.25% per

annum of the principal amount of the Securities. Upon (1) the filing of the Exchange Offer Registration Statement after the 60-day period described in clause (i) above, (2) the effectiveness of the Registered Exchange Offer Registration Statement after the 180-day period described in clause (ii) above or (3) the consummation of the Exchange Offer or the effectiveness of a Shelf Registration Statement, as the case may be, after 215-day period described in clause (iii) above, the Special Interest payable on the Securities from the date of such filing, effectiveness or consummation, as the case may be, will cease to accrue and all accrued and unpaid Special Interest as of the occurrence of (1), (2) or (3) shall be paid to the holders of the Securities.

In the event that a Shelf Registration Statement is declared effective pursuant to the preceding paragraph, if the Company fails to keep such Registration Statement continuously effective for the period required by this Agreement, then from such time as the Shelf Registration Statement is no longer effective until the earlier of (i) the date that the Shelf Registration Statement is again deemed effective, (ii) the date is the second anniversary of the Closing Date or (iii) the date as of which all of the Securities are sold pursuant to the Shelf Registration Statement, Special Interest shall accrue at a rate per annum equal to 0.25% of the principal amount of the Securities and shall be payable in cash semiannually in arrears each June 15 and December 15, commencing December 15, 1997.

5. Registration Procedures. In connection with any Shelf Registration Statement and, to the extent applicable, any Exchange Offer Registration Statement, the following provisions shall apply:

(a) The Company shall furnish to you and to each Holder named therein, prior to the filing thereof with the Commission, a copy of any Shelf Registration Statement and any Exchange Offer Registration Statement, and each amendment thereof and each amendment or supplement, if any, to the Prospectus included therein and shall use its best efforts to reflect in each such document, when so filed with the Commission, such comments as you or Holder may propose.

(b) The Company shall use its best efforts to ensure that (i) any Registration Statement and any amendment thereto and any Prospectus forming a part thereof and any amendment or supplement thereto complies in all material respects with the Act and the rules and regulations thereunder, (ii) any Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming part of any Registration Statement, and any amendment or supplement to such Prospectus, does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading.

(c) (1) The Company shall advise you and, in the case of a Shelf Registration Statement, the Holders of securities covered thereby, and, if requested by you or any such Holder, confirm such advice in writing:

(i) when a Registration Statement and any amendment thereto has been filed with the Commission and when the Registration Statement or any post-effective amendment thereto has become effective; and

(ii) of any request by the Commission for amendments or supplements to the Registration Statement or the Prospectus included therein or for additional information.

(2) The Company shall advise you and, in the case of a Shelf Registration Statement, the Holders of securities covered thereby, and, in the case of an Exchange Offer Registration Statement, any Exchanging Dealer which has provided in writing to the Company a telephone or facsimile number and address for notices, and, if requested by you or any such Holder or Exchanging Dealer, confirm such advice in writing:

(i) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose;

(ii) of the receipt by the Company of any notification with respect to the suspension of the qualification of the securities included therein for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(iii) of the happening of any event that requires the making of any changes in the Registration Statement or the Prospectus so that, as of such date, the statements therein are not misleading and do not omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading (which advice shall be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made).

(d) The Company shall use its best efforts to obtain the withdrawal of any order suspending the effectiveness of any Registration Statement at the earliest possible time.

(e) The Company shall furnish to each Holder of securities included within the coverage of any Shelf Registration Statement, without charge, at least one copy of such Shelf Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing any documents incorporated by reference therein and all exhibits (including those incorporated by reference).

(f) The Company shall, during the Shelf Registration Period, deliver

to each Holder of securities included within the coverage of any Shelf Registration Statement, without charge, as many copies of the Prospectus (including each preliminary Prospectus) included in such Shelf Registration Statement and any amendment or supplement thereto as such

Holder may reasonably request; and the Company consents to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders of securities in connection with the offering and sale of the securities covered by such Prospectus or any amendment or supplement thereto.

(g) The Company shall furnish to each Exchanging Dealer which so requests, without charge, at least one copy of the Exchange Offer Registration Statement and any post-effective amendment thereto, including financial statements and schedules, any documents incorporated by reference therein, and, if the Exchanging Dealer so requests in writing any documents incorporated by reference therein and all exhibits (including those incorporated by reference).

(h) The Company shall, during the Exchange Offer Registration Period, promptly deliver to each Exchanging Dealer, without charge, as many copies of the Prospectus included in such Exchange Offer Registration Statement and any amendment or supplement thereto as such Exchanging Dealer may reasonably request for delivery by such Exchanging Dealer in connection with a sale of New Securities received by it pursuant to the Registered Exchange Offer; and the Company consents to the use of the Prospectus or any amendment or supplement thereto by any such Exchanging Dealer, as aforesaid.

(i) In connection with any Shelf Registration Statement, the Company shall register or qualify or cooperate with any the Holders of securities named therein and such Holders' counsel in connection with the registration or qualification of such securities for offer and sale under the securities or blue sky laws of such jurisdictions as any such Holder reasonably requests in writing and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the securities covered by such Registration Statement; provided, however, that the Company will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to general service

of process or to taxation in any such jurisdiction where it is not then so subject.

(j) Unless the applicable Securities shall be in book-entry only form, the Company shall cooperate with the Holders of Securities to facilitate the timely preparation and delivery of certificates representing Securities to be sold pursuant to any Registration Statement free of any restrictive legends and in such denominations and registered in such names as Holders may request prior to sales of securities pursuant to such Registration Statement.

(k) Upon the occurrence of any event contemplated by paragraph (c)(2)(iii) above, the Company shall promptly prepare a post-effective amendment to any Registration Statement or an amendment or supplement to the related Prospectus or file any other required document so that, as thereafter delivered to purchasers of the securities included therein, the Prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) Not later than the effective date of any such Registration Statement hereunder, the Company shall provide a CUSIP number for the Securities or New Securities, as the case may be, registered under such Registration Statement, and provide the applicable trustee with printed certificates for such Securities or New Securities, in a form eligible for deposit with The Depository Trust Company.

(m) The Company shall use its best efforts to comply with all applicable rules and regulations of the Commission and shall make generally available to its security holders as soon as practicable after the effective date of the applicable Registration Statement an earnings statement satisfying the provisions of Section 11(a) of the Act.

(n) The Company shall cause the Indenture to be qualified under the Trust Indenture Act in a timely manner.

(o) The Company may require each Holder of securities to be sold pursuant to any Shelf Registration Statement to furnish to the Company such information regarding the holder and the distribution of such securities as the Company may from time to time reasonably require for inclusion in such Registration Statement, and the Company may exclude from such registration the Securities of any Holder that fails to furnish such information within a reasonable time after receiving such request.

(p) The Company shall, if requested, promptly incorporate in a Prospectus supplement or post-effective amendment to a Shelf Registration Statement, such information as the Managing Underwriters and Majority Holders agree should be included therein and to which the Company does not unreasonably object and shall make all required filings of such Prospectus supplement or post-effective amendment as soon as notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment.

(q) In the case of any Shelf Registration Statement, the Company shall enter into such customary agreements (including underwriting agreements) and take all other appropriate actions in order to expedite or facilitate the registration or the disposition of the Securities, and in connection therewith, if an underwriting agreement is entered into, cause the same to contain indemnification provisions and procedures no less favorable than those set forth in Section 7 (or such other provisions and procedures reasonably acceptable to the Company, the Majority Holders and the Managing Underwriters, if any) with respect to all parties to be indemnified pursuant to Section 7 hereof from Holders of Securities to the Company.

(r) In the case of any Shelf Registration Statement, the Company shall (i) make reasonably available for inspection by the Holders of securities to be registered thereunder, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney, accountant or other agent retained by the Holders or any such underwriter all relevant financial and other re-

cords, pertinent corporate documents and properties of the Company and its subsidiaries; (ii) cause the Company's officers, directors and employees to supply all relevant information reasonably requested by the Holders or any such underwriter, attorney, accountant or agent in connection with any such Registration Statement as is customary for similar due diligence examinations; provided, however, that any information that is designated in writing by the Company, in good faith, as confidential at the time of delivery of such information shall be kept confidential by the Holders or

any such underwriter, attorney, accountant or other agent, unless such disclosure is made in connection with a court proceeding or required by law, or such information becomes available to the public generally or through a third party without an accompanying obligation of confidentiality; (iii) make such representations and warranties to the Holders of securities registered thereunder and the underwriters, if any, in form, substance and scope as are customarily made by issuers to underwriters in primary underwritten offerings and covering matters including, but not limited to, those set forth in the Purchase Agreement; (iv) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the Managing Underwriters, if any) addressed to each selling Holder and the underwriters, if any, covering such matters as are customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by such Holders and underwriters; (v) obtain "cold comfort" letters and updates thereof from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data are, or are required to be, included in the Registration Statement), addressed to each selling Holder of securities registered thereunder and the underwriters, if any, in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with primary underwritten offerings; and (vi) deliver such documents and certificates as may be reasonably requested by

the Majority Holders and the Managing Underwriters, if any, including those to evidence compliance with Section 5(k) and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company. The foregoing actions set forth in clauses (iii), (iv), (v) and (vi) of this Section 5(r) shall be performed at (A) the effective date of such Registration Statement and each post-effective amendment thereto and (B) each closing under any underwriting or similar agreement as and to the extent required thereunder.

6. Registration Expenses. The Company shall bear all expenses incurred in connection with the performance of its obligations under Sections 2, 3, 4 and 5 hereof and, in the event of any Shelf Registration Statement, will reimburse the Holders for the reasonable fees and disbursements of one firm or counsel designated by the Majority Holders to act as counsel for the Holders in connection therewith, and, in the case of any Exchange Offer Registration Statement, will reimburse the Initial Purchasers for the reasonable fees and disbursements of counsel acting in connection therewith.

7. Indemnification and Contribution. (a) In connection with any Registration Statement, the Company agrees to indemnify and hold harmless each Holder of securities covered thereby (including each Initial Purchaser and, with respect to any Prospectus delivery as contemplated in Section 5(h) hereof, each Exchanging Dealer), the directors, officers, employees and agents of each such Holder and each person who controls any such Holder within the meaning of either the Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement as originally filed or in any amendment thereof, or in any preliminary Prospectus or Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the

statements therein not misleading, and agrees to reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of any such Holder specifically for inclusion therein; provided further, that with respect to any untrue statement or omission of material fact made in the Registration Statement, any amendment thereto or the preliminary Prospectus, the indemnity agreement contained in this Section 7(a) shall not inure to the benefit of any Holder from whom the person asserting any such loss, claim, damage or liability purchased the securities concerned, to the extent that any such loss, claim, damage or liability of such Holder occurs under the circumstance where it shall have been determined by a court of competent jurisdiction by final and nonappealable judgment that (w) the Company had previously furnished copies of the preliminary Prospectus to the Holder, (x) delivery of the Prospectus was required to be made to such person, (y) the untrue statement or omission of a material fact contained in the preliminary Prospectus was corrected in the Prospectus and (z) there was not sent or given to such person, at or prior to the written confirmation of the sale of such securities to such person, a copy of the Prospectus. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

The Company also agrees to indemnify or contribute to Losses of, as provided in Section 7(d), any underwriters of Securities registered under a Shelf Registration Statement, their officers and directors and each person who controls such underwriters on substantially the same basis as that of the indemnification of the Initial Purchaser and the selling Holders provided in this Section 7(a) and shall, if requested by any Holder, enter into an underwriting agreement reflecting such agreement, as provided in Section 5(q) hereof.

(b) Each Holder of securities covered by a Registration Statement (including each Initial Purchaser and, with respect to any Prospectus delivery as contemplated in Section 5(h) hereof, each Exchanging Dealer) severally agrees to indemnify and hold harmless (i) the Company, (ii) each of its directors, (iii) each of its officers who signs such Registration Statement and (iv) each person who controls the Company within the meaning of either the Act or the Exchange Act to the same extent as the foregoing indemnity from the Company to each such Holder, but only with reference to written information relating to such Holder furnished to the Company by or on behalf of such Holder specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which any such Holder may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 7, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve it from liability under paragraph (a) or (b) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (b) above. The indemnifying party shall be entitled to appoint as counsel one firm of attorneys of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified

party (together with one local counsel in each jurisdiction) in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reason-

able fees, costs and expenses of such separate counsel (and local counsel) if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party, it being understood that the indemnifying party shall not be liable for more than one separate firm (in addition to one local counsel in each jurisdiction) for all indemnified parties in each jurisdiction in which any claim or action arising out of the same general allegations or circumstances is brought. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding. An indemnifying party will not, without its prior written consent, be liable for any settlement or compromise or consent to the entry of any judgment.

(d) In the event that the indemnity provided in paragraph (a) or (b) of this Section 7 is unavailable to or insufficient to hold harmless an indemnified party for any reason, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall have a joint and several obligation to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "Losses") to which such indemnified party may be

subject in such proportion as is appropriate to reflect the relative benefits received by such indemnifying party, on the one hand, and such indemnified party, on the other hand, from the Initial Placement and the Registration Statement which resulted in such Losses; provided, however, that in no case shall any Initial Purchaser or any subsequent Holder of any Security or New Security be responsible, in the aggregate, for any amount in excess of the purchase discount or commission applicable to such Security, or in the case of a New Security, applicable to the Security which was exchangeable into such New Security, as set forth on the cover page of the Final Memorandum, nor shall any underwriter be responsible for any amount in excess of the underwriting discount or commission applicable to the securities purchased by such underwriter under the Registration Statement which resulted in such Losses. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the indemnifying party and the indemnified party shall

contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of such indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. Benefits received by the Company shall be deemed to be equal to the sum of (x) the total net proceeds from the Initial Placement (before deducting expenses) as set forth on the cover page of the Final Memorandum and (y) the total amount of additional interest which the Company was not required to pay as a result of registering the securities covered by the Registration Statement which resulted in such Losses. Benefits received by the Initial Purchasers shall be deemed to be equal to the total purchase discounts and commissions as set forth on the cover page of the Final Memorandum, and benefits received by any other Holders shall be deemed to be equal to the value of receiving Securities or New Securities, as applicable, registered under the Act. Benefits received by any underwriter shall be deemed to be equal to the total underwriting discounts and commissions, as set forth on the cover page of the Prospectus forming a part of the Registration Statement which resulted in such Losses. Relative fault shall be determined by reference to whether any alleged untrue statement or omission relates to information provided by the indemnifying party, on the one hand, or by the indemni-

fied party, on the other hand. The parties agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 7, each person who controls a Holder within the meaning of either the Act or the Exchange Act and each director, officer, employee and agent of such Holder shall have the same rights to contribution as such Holder, and each person who controls the Company within the meaning of either the Act or the Exchange Act, each officer of the Company who shall have signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Company, subject in each case to the applicable terms and conditions of this paragraph (d).

(e) The provisions of this Section 7 will remain in full force and effect, regardless of any investigation made by or on behalf of any Holder or the Company or any of the officers, directors or controlling persons referred to in Section 7 hereof, and will survive the sale by a Holder of securities covered by a Registration Statement.

8. Miscellaneous.

(a) No Inconsistent Agreements. The Company has not, as of the date hereof, entered into, nor shall it, on or after the date hereof, enter into, any agreement with respect to its securities that is inconsistent with the rights granted to the Holders herein or otherwise conflicts with the provisions hereof.

(b) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, qualified, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of the Holders of at least a majority of the then outstand-

ing aggregate principal amount of Securities (or, after the consummation of any Exchange Offer in accordance with Section 2 hereof, of New Securities);

provided that, with respect to any matter that directly or indirectly affects the rights of any Initial Purchaser hereunder, the Company shall obtain the written consent of each such Initial Purchaser against which such amendment, qualification, supplement, waiver or consent is to be effective. Notwithstanding the foregoing (except the foregoing proviso), a waiver or consent to departure from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect the rights of other Holders may be given by the Majority Holders, determined on the basis of securities being sold rather than registered under such Registration Statement.

(c) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, telex, telecopier, or air courier guaranteeing overnight delivery:

(1) if to a Holder, at the most current address given by such holder to the Company in accordance with the provisions of this Section 8(c), which address initially is, with respect to each Holder, the address of such Holder maintained by the Registrar under the Indenture, with a copy in like manner to Salomon Brothers Inc;

(2) if to you, initially at the respective addresses set forth in the Purchase Agreement; and

(3) if to the Company, initially at its address set forth in the Purchase Agreement.

All such notices and communications shall be deemed to have been duly given when received.

The Initial Purchasers or the Company by notice to the other may designate additional or different addresses for subsequent notices or communications.

(d) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including, without the need for an express assignment or any consent by the Company thereto, subsequent Holders of Securities and/or New Securities. The Company hereby agrees to extend the benefits of this Agreement to any Holder of Securities and/or New Securities and any such Holder may specifically enforce the provisions of this Agreement as if an original party hereto.

(e) Counterparts. This agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(f) Headings. The headings in this agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) Governing Law. This agreement shall be governed by and construed in accordance with the internal laws of the State of New York (without regard to the conflict of law provisions thereof).

(h) Severability. In the event that any one of more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected thereby, it being intended that all of the rights and privileges of the parties shall be enforceable to the fullest extent permitted by law.

(i) Securities Held by the Company, etc. Whenever the consent or approval of Holders of a specified percentage of principal amount of Securi-

ties or New Securities is required hereunder, Securities or New Securities, as applicable, held by the Company or its Affiliates (other than subsequent Holders of Securities or New Securities if such subsequent Holders are deemed to be Affiliates solely by reason of their holdings of such Securities or New Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

Please confirm that the foregoing correctly sets forth the agreement between the Company and you.

NRG ENERGY, INC.

by: /s/ LEONARD A. BLUHM

Name: Leonard A. Bluhm
Title: Executive V.P. and CFO

The foregoing Agreement is hereby accepted as of the date first above written.

SALOMON BROTHERS INC
ABN AMRO CHICAGO CORPORATION
CHASE SECURITIES INC.

by: SALOMON BROTHERS INC

by: /s/PETER H. KIND

Name: Peter H. Kind
Title: Director

ANNEX A

Each broker-dealer that receives New Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Securities. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Securities received in exchange for Securities where such New Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, starting on the Expiration Date (as defined herein) and ending on the close of business on the 90th day following the Expiration Date, it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See

"Plan of Distribution."

ANNEX B

Each broker-dealer that receives New Securities for its own account in exchange for Securities, where such Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Securities. See "Plan of Distribution."

ANNEX C

PLAN OF DISTRIBUTION

Each broker-dealer that receives New Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Securities. The Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Securities received in exchange for Securities where such Securities were acquired as a result of market-making activities or other trading activities. The Company has agreed that, starting on the Expiration Date and ending on the close of business on the [ ]th day following the Expiration Date, it will make this Prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until , 199 , all dealers effecting transactions in the New Securities may be required to deliver a prospectus1.

The Company will not receive any proceeds from any sale of New Securities by broker-dealers. New Securities received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Securities or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such New Securities. Any broker-dealer that resells New Securities that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such New Securities may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit of any such resale of New Securities and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

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1 In addition, the legend required by Item 502(e) of Regulation S-K will appear on the back cover page of the Exchange Offer prospectus.

For a period of [ ] days after the Expiration Date, the Company will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Company has agreed to pay all expenses incident to the Exchange Offer (including the expenses of one counsel for the holders of the Securities) other than commissions or concessions of any brokers or dealers and will indemnify the holders of the Securities (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

[If applicable, add information required by Regulation S-K Items 507 and/or 508.]

ANNEX D

Rider A
- -------

[ ] CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name:

Address:

Rider B
- -------

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of New Securities. If the undersigned is a broker-dealer that will receive New Securities for its own account in exchange for Securities that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such New Securities; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

EMPLOYMENT AGREEMENT

THIS AGREEMENT by and between NRG Energy, Inc., a Delaware corporation ("NRG"), and David H. Peterson (the "Executive"), ("Agreement") is dated as of the 28th day of June, 1995.

WITNESSETH THAT

WHEREAS, The Board of Directors of NRG (the "Board") wishes to provide for the employment of the Executive, and the Executive wishes to serve NRG, in the capacities and on the terms and conditions set forth in this Agreement:

NOW THEREFORE, it is hereby agreed as follows:

1. Term. NRG shall employ the Executive, and the Executive shall serve NRG, on the terms and conditions set forth in this Agreement, for the five-year period, (the "Employment Period") commencing on June 28, 1995 (the "Effective Time") and ending June 27, 2000.

2. Position and Duties.

(a) During the term of this Agreement, Executive shall serve as the highest level executive officer of NRG, with such duties and responsibilities not inconsistent therewith as may from time to time be assigned to him by the Board of Directors of NRG. The Executive shall be a member of the Board on the first day

of the Employment Period, and the Board shall propose the Executive for re-election to the Board throughout the Employment Period.

(b) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive shall devote reasonable attention and time during normal business hours to the business and affairs of NRG and, to the extent necessary to discharge the responsibilities assigned to the Executive under this Agreement, use the Executive's reasonable best efforts to carry out such responsibilities faithfully and efficiently. It shall not be considered a violation of the foregoing for the Executive to serve on corporate, industry, civic or charitable boards or committees, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of NRG in accordance with this Agreement.

3. Compensation.

(a) Base Salary. The Executive's compensation during the Employment Period shall be determined by the Board upon the recommendation of the Compensation Committee of the Board, subject to the next sentence and Section 3 (b). During the Employment Period, the Execu-

tive shall receive an annual base salary ("Annual Base Salary") of not less than his annual base salary from NRG as in effect immediately before the Effective Time. The Annual Base Salary shall be payable in accordance with NRG's regular payroll practice for its senior executives, as in effect from time to time. During the Employment Period, the Annual Base salary shall be reviewed for possible increase at least annually. Any increase in the Annual Base Salary shall not limit or reduce any other obligation of NRG under this Agreement. The Annual Base Salary shall not be reduced after any such increase, and the term "Annual Base Salary" shall thereafter refer to the Annual Base Salary as so increased.

(b) Other Compensation and Benefits.

(i) Retirement and Welfare Benefits. NRG agrees that during the Employment Period it will provide Executive with retirement and welfare benefits that, in the aggregate, are no less favorable to him than those provided to any other officer of NRG. To the extent that Executive's benefits are provided by plans sponsored by Northern States Power Company ("NSP"), NRG agrees that Executive shall participate in such plans on terms and conditions no less favorable than those that apply to officers of NSP. To

the extent that Executive's benefits are provided by plans sponsored by NRG, NRG agrees that Executive shall participate in such plans on terms and conditions no less favorable than those that apply to any other officer of NRG.

(ii) Incentive Compensation. During the Employment Period, the Executive shall participate in short-term incentive compensation plans and long-term incentive compensation plans providing him with the opportunity to earn, on a year-by-year basis, greater short-term and long-term incentive compensation (the "Incentive Compensation") than any other NRG officer.

(c) Additional Benefits.

(i) Supplemental Retirement Benefits. During the Employment Period, the Executive shall participate in a supplemental executive retirement plan ("SERP") such that the aggregate value of the retirement benefits that he and his spouse will receive at the end of the Employment Period under all defined benefit plans of NRG, NSP and their affiliates (whether qualified or not) will be not less than the aggregate value of the benefits he would have received had he continued, through the end of the

Employment Period to participate in the NSP Deferred Compensation Plan, the NSP Excess Benefit Plan, and the NSP Pension Plan; provided, that benefits under the SERP, shall also include the amount, if any, that the NSP Pension Plan's actuaries reasonably estimate is necessary to compensate Executive for the monthly defined benefit payments the Executive did not receive, but would have received during the term of this Agreement and prior to the date of his actual termination of employment if monthly benefit payments had commenced at the end of the month following the month in which the Executive first became eligible for Early Retirement under the NSP Pension Plan. In addition, the SERP shall offer the Executive the option to receive his benefits thereunder in a single lump sum payment using actuarial assumptions that the NSP Pension Plan's actuaries determine are reasonable in the aggregate; provided, that such lump sum payment option shall be subject to the consent of the Board in its sole discretion and must be requested by the Executive not less than twelve months prior to the Executive's termination of employment. Finally, if the Executive dies while employed, or deemed pursuant to paragraph (a) of section 5 to be employed

by NRG, his surviving spouse (or, if, he has no surviving spouse, his

estate) shall be entitled to receive a benefit equal in value to the difference between the pension benefit that the Executive would have received if he had retired (rather than died) on the date of his death and received a lump sum pension benefit and the lump sum value of the pension payable in the absence of this provision; provided, that in the case where the Executive has no surviving spouse, the benefit pursuant to this sentence shall be paid in a lump sum; and provided, further, that in the case where the Executive has a surviving spouse, the benefit pursuant to this sentence shall be paid in the form of a single life annuity for her life unless she elects a single lump sum payment and the Board, in its sole discretion, consents to the lump sum payment. Notwithstanding anything in the preceding sentence to the contrary, if despite reasonable efforts NRG is unable to obtain insurance on the life of the Executive with a death benefit equal to the anticipated after-tax cost to NRG of the benefit described in the preceding sentence at an average annual premium cost of less than $7,000, then the value of such benefit payable to Executive's surviv-

ing spouse or estate shall be reduced so that its after-tax cost to NRG does not exceed the amount of insurance on the life of the Executive that NRG could obtain at such cost.

(ii) During the Employment Period, the Company shall provide the Executive with life insurance coverage (the "Life Insurance Coverage") providing a death benefit to such beneficiary or beneficiaries as the Executive may designate of not less than his Annual Base Salary. Following the Employment Period, the Company shall provide the Executive with a life insurance benefit at least equal to the benefit that would have been provided to the executive after termination of employment under the Northern States Power Company Officer Survivor Benefit Plan as in effect immediately before the Effective Time.

(d) Fringe Benefits. During the Employment Period, the Executive shall be entitled to receive fringe benefits that are no less favorable to him than those provided to any other officer of NRG.

4. Termination of Employment.

(a) Death or disability. The Executive's employment shall terminate automatically upon the

Executive's death during the Employment Period. NRG shall be entitled to terminate the Executive's employment because of the Executive's Disability during the Employment period. "Disability" means that (i) the Executive has been unable, for a period of 60 consecutive calendar days, to perform the Executive's duties under this Agreement, as a result of physical or mental illness or injury, and (ii) a physician selected by NRG or its insurers, and acceptable to the Executive or the Executive's legal representative, has determined that the Executive's incapacity is total and permanent. A termination of the Executive's employment by NRG for Disability shall be communicated to the Executive by written notice, and shall be effective on the 30th day after such notice is given to the Executive (the "Disability Effective Date"), unless the Executive returns to full-time performance of the Executive's duties before the Disability Effective Date.

(b) By the Company.

(i) NRG may terminate the Executive's employment during the

Employment Period for Cause or without Cause. "Cause" means:

A. the willful and continued failure of the Executive substantially to perform the Executive's duties under this

Agreement, after the Board of NRG delivers to the Executive a written demand for substantial performance that specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties;

B. the failure to achieve reasonable minimum performance goals established by the Board and consistent with NRG's then current long-term business plan; or

C. illegal conduct or gross misconduct by the Executive, in either case that is willful and results in material and demonstrable damage to the business of NRG.

No act or failure to act on the part of the Executive shall be considered "willful" if it is done, or omitted to be done, by the Executive due to circumstances beyond the Executive's control (which may include, but are not limited to, the Executive's physical or mental illness or injury).

(ii) A termination of the Executive's employment for Cause shall be effected in accordance with the following procedures. NRG shall give the Executive written notice ("Notice of Termination for Cause") of its intention to terminate the Executive's employment for Cause, setting forth in reasonable detail the specific conduct of the Executive that it considers to constitute Cause and the specific

provision(s) of this Agreement on which it relies, and stating the date, time and place of the Special Board Meeting for Cause. The "Special Board Meeting for Cause" means a meeting of the Board called and held specifically for the purpose of considering the Executive's termination for Cause, that takes place not less than ten and not more than twenty business days after the Executive receives the Notice of Termination for Cause. The Executive shall be given an opportunity, together with counsel, to be heard at the Special Board Meeting for Cause. The Executive's termination for Cause shall be effective when and if a resolution is duly adopted at the Special Board Meeting for Cause by affirmative vote of a majority of the entire membership of the Board, excluding NRG employee directors, stating that in the good faith opinion of the Board, the Executive is guilty of the conduct described in the Notice of Termination for Cause, and that conduct constitutes Cause under this Agreement.

(iii) A termination of the Executive's employment without Cause shall be effective when and if a resolution is duly adopted by

the Board stating that the Executive is terminated without Cause.

(c) Good Reason.

(i) The Executive may terminate employment for Good Reason or without Good Reason. "Good Reason" means:

A. the assignment to the Executive of any duties inconsistent in any respect with paragraph (a) of Section 2 of this Agreement, or any other action by NRG that results in a diminution in the Executive's position, authority, duties or responsibilities, unless such action is remedied by NRG promptly after receipt of written notice thereof from the Executive;

B. any failure by NRG to comply with any provision of Section 3 of this Agreement, unless such action is remedied by NRG promptly after receipt of written notice thereof from the Executive;

C. any purported termination of the Executive's employment by NRG for a reason or in a manner not expressly permitted by this Agreement;

D. any failure by NRG to comply with paragraph (c) of Section 12 of this Agreement; or

E. any other substantial breach of this Agreement by NRG that is not remedied by NRG promptly after receipt of written notice thereof from the Executive.

(ii) A termination of employment by the Executive for Good Reason shall be effectuated by giving NRG written notice ("Notice of Termination for

Good Reason") of the termination, setting forth in reasonable detail the specific conduct of NRG that constitutes Good Reason and the specific provision(s) of this Agreement on which the Executive relies. A termination of employment by the Executive for Good Reason shall be effective on the fifth business day following the date when the Notice of Termination for Good Reason is given, unless the notice sets forth a later date (which date shall in no event be later than 30 days after the notice is given).

(iii) A termination of the Executive's employment by the Executive without Good Reason shall be effected by giving NRG written notice of the termination.

(d) No Waiver. The failure to set forth any fact or circumstance in a Notice of Termination for Cause, a Notice of Termination without Cause or a Notice of Termination for Good Reason shall not constitute a waiver of the right to assert, and shall not preclude the party giving notice from asserting, such fact or circumstance in an attempt to enforce any right under or provision of this Agreement.

(e) Date of Termination. The "Date of Termination" means the date of the Executive's death, the

Disability Effective Date, the date on which the termination of the Executive's employment by JRG for Cause or without Cause or by the Executive for Good Reason is effective, or the date on which the Executive gives NRG notice of a termination of employment without Good Reason, as the case may be.

5. Obligations of NRG upon Termination.

(a) By NRG Other Than for Cause or Disability; By the Executive

for Good Reason. If, during the Employment Period, NRG terminates the Executive's employment, other than for Cause or Disability, or the Executive terminates employment for Good Reason, NRG shall continue to provide the Executive with the compensation and benefits set forth in Section 3 as if he had remained employed by NRG pursuant to this Agreement through the end of the Employment Period and then retired (at which time he will be treated as eligible for all retiree welfare benefits and other benefits provided to retired senior executives, as set forth in Section 3(b) and (c)); provided, that the Incentive Compensation for such period shall be equal to the greater of the target Incentive Compensation that the Executive would have been eligible to earn for such period or the Incentive Compensation awarded for the last complete incentive plan year ending

prior to Executive's Termination of Employment; provided, further, that in lieu of stock-based or equity-based awards, the Executive shall be paid cash equal to the fair market value at the time of grant, if any, (determined without regard to any restrictions) of the awards that would otherwise have been granted; and provided, finally, that during any period when the Executive is eligible to receive welfare benefits of the type described in paragraph (b) (i) of Section 3 under another employer-provided plan, the welfare benefits provided by NRG under this paragraph (a) of Section 5 may be made secondary to those provided under such other plan. The payments and benefits provided pursuant to this paragraph (a) of Section 5 are intended as liquidated damages for a termination of the Executive's employment by NRG other than for Cause or Disability or for the actions of NRG leading to a termination of the Executive's employment by the Executive for Good Reason, and shall be the sole and exclusive remedy therefor.

(b) Death or Disability. If the Executive's employment is terminated by reason of the Executive's death or Disability during the Employment Period, NRG shall pay to the Executive or, in the case of the Executive's death, to the Executive's designated

beneficiaries (or, if there is no such beneficiary, to the Executive's estate or legal representative), in a lump sum in cash within 30 days after the Date of Termination, the sum of the following amounts (the "Accrued Obligations"): (1) any portion of the Executive's Annual Base Salary through the Date of Termination that has not yet been paid; (2) an amount representing the Incentive Compensation for the period that includes the Date of Termination, computed by assuming that the amount of all such incentive Compensation would be the same as the amount of such Incentive Compensation for the latest corresponding period ending before the Date of Termination, and multiplying that amount by a fraction, the numerator of which is the number of days in such period through the Date of Termination, and the denominator of which is the total number of days in the relevant period, (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) that has not yet been paid; and (4) any accrued but unpaid Incentive Compensation and vacation pay; and NRG shall have no further obligations under this Agreement, except as specified in Section 6 below.

(c) By NRG for Cause; By the Executive Other than for Good Reason. If the Executive's employment

is terminated by NRG for Cause during the Employment Period, NRG shall pay the Executive the Annual Base Salary through the Date of Termination and the amount of any compensation previously deferred by the Executive (together with any

accrued interest or earnings thereon), in each case to the extent not yet paid, and NRG shall have no further obligations under this Agreement, except as specified in Section 6 below. If the Executive voluntarily terminates employment during the Employment Period, other than for Good Reason, NRG shall pay the Accrued Obligations to the Executive in a lump sum in cash within 30 days of the Date of Termination, and NRG shall have no further obligations under this Agreement, except as specified in Section 6 below.

6. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by NRG or any of its affiliated companies for which the Executive may qualify, nor, subject to paragraph (f) of Section 11, shall anything in this Agreement limit or otherwise affect such rights as the Executive may have under any contract or agreement with NRG or any of its affiliated companies; provided, however, that Executive waives any rights he has or may

hereafter acquire to participate in or to receive benefits under the NSP Severance Plan, or any other severance plan, policy or arrangement that is generally applicable to senior executives of NRG or NSP to the extent those rights are based on his employment under this agreement or any prior employment. Vested benefits and other amounts that the Executive is otherwise entitled to receive under the Incentive Compensation, the Life Insurance Coverage, or any other plan, policy, practice or program of, or any contract or agreement with, NRG or any of its affiliated companies on or after the Date of Termination shall be payable in accordance with the terms of each such plan, policy, practice, program, contract or agreement, as the case may be, except as explicitly modified by this Agreement.

7. Full Settlement. NRG's obligation to make the payments provided for in, and otherwise to perform its obligations under, this Agreement shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action that NRG may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement

and, except as specifically provided in paragraph (a) of Section 5 with respect to benefits described in paragraph (b) (i) of Section 3, such amounts shall not be reduced, regardless of whether the Executive obtains other employment.

8. Noncompetition Agreement. During the period of the Executive's employment by NRG and until the later of (i) one year after the Executive's Date of Termination or (ii) in the event Section 5(a) applies, the end of the Employment Period, Executive agrees that he will not, directly or indirectly own, manage, operate, join, work for, control or participate in the ownership, management, operation or control of, or be connected in any manner with, any business (whether in corporate, proprietorship, or partnership form or otherwise) as a more than 10% owner in such business, or member of a group controlling such business where such business is engaged in any activity which competes with the business of NRG as conducted on the Date of Termination of Executive's employment from NRG or which will compete with any proposed business activity of NRG in the planning stage on such Date of Termination. During the period of the Executive's employment by NRG and until the later of (i) two years after the Executive's Date of Termination or (ii) in the event Section 5(a)

applies, the end of the Employment Period, Executive agrees that he will not, for his own benefit or for any other person, corporation or other entity (other than NRG and its subsidiaries or affiliates) call on or solicit any customers of NRG or any of its subsidiaries or affiliates for any business purpose that competes with the business of NRG as conducted on the Date of Termination of Executive's employment from NRG or which will compete with any proposed business activity of NRG in the planning stage on such Date of Termination. Executive acknowledges and agrees that the remedy at law for any breach of this Section 8 will be inadequate and that NRG, in addition to any other relief available to it, shall be entitled to temporary and permanent injunctive relief without the necessity of proving actual damage. In the event that the provisions of this covenant not to compete should ever be judicially determined to exceed the limitation permitted by applicable law, then the parties hereto agree that such provisions shall be reformed to set forth the maximum limitations permitted.

9. Confidential Information.

(a) "Confidential Information" as used in this Section means information that is not generally known and that is proprietary to NRG or that NRG is obligated to

treat as proprietary. This information includes, without limitation:

(i) trade secret information about NRG, its strategies and its products;

(ii) information concerning NRG's business, as NRG has conducted it or as it may be conducted in the future; and

(iii) information concerning any of NRG's past, current, or possible future products or services, including (without limitation) information about NRG's research, development, accounting, marketing, selling or leasing.

Any information that the Executive reasonably considers Confidential Information, or that NRG treats as Confidential Information, will be presumed to be Confidential Information (whether the Executive or others originated it and regardless of how he obtained it).

(b) Except as required in his duties with NRG, during the period of his employment by NRG and until the later of (i) two years after his Date of Termination or (ii) in the event Section 5(a) applies, the end of the Employment Period, the Executive will not use or disclose Confidential Information to any person not authorized by NRG to receive it. When the Executive's employment with

NRG ends, he will promptly turn over to NRG all records and any compositions, articles, devices, apparatus and other items that disclose, describe or embody Confidential Information, including all copies, reproductions and specimens of Confidential Information in his possession, regardless of who prepared them.

(c) Notwithstanding anything in this Agreement to the contrary, Executive's obligations under Sections 8 and 9 of this agreement shall not be limited by the term of this Agreement and shall continue in full force following the expiration of the term of this Agreement or its earlier termination, as described in those sections.

10. Successors.

(a) This Agreement is personal to the Executive and, without the prior written consent of NRG, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon NRG and its successors and assigns.

(c) NRG shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of NRG expressly to assume and agree to perform this Agreement in the same manner and to the same extent that NRG would have been required to perform it if no such succession had taken place. As used in this Agreement, "NRG" shall mean both NRG as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

11. Miscellaneous.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Minnesota, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage pre-paid, addressed as follows:

If to the Executive:

David H. Peterson
10720 Mississippi Boulevard NW
Coon Rapids, MN 55433

If to NRG:

NRG Energy, Inc.
1221 Nicollet Mall, Suite 700
Minneapolis, MN 55403
Attention: General Counsel

or to such other address as either party furnishes to the other in writing in accordance with this paragraph (b) of Section 11. Notices and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

(d) Notwithstanding any other provision of this Agreement, NRG may withhold from amounts payable

under this Agreement all federal, state, local and foreign taxes that are required to be withheld by applicable laws or regulations.

(e) The Executive's or NRG's failure to insist upon strict compliance with any provision of, or to assert any right under, this Agreement (including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to paragraph (c) of Section 4 of this agreement) shall not be deemed to be a waiver of such provision or right or of any other provisions of or right under this agreement.

(f) The Executive and NRG acknowledge that this Agreement supersedes any other agreement between them concerning the subject matter hereof.

(g) The rights and benefits of the Executive under this Agreement may not be anticipated, assigned, alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process except as required by law. Any attempt by the Executive to anticipate, alienate, assign, sell, transfer, pledge, encumber or charge the same shall be void. Payments hereunder shall not be considered assets of the Executive in the event of insolvency or bankruptcy.

(h) This Agreement may be executed in several counterparts, each of which shall be deemed an original, and said counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization of its Board of Directors, NRG has caused this Agreement to be executed in its name on its behalf, all as of the day and year first above written.

/s/DAVID PETERSON

David Peterson

NRG Energy, Inc.

By /s/D.D. ANTONY

NRG ENERGY, INC.

to

NORWEST BANK MINNESOTA,
NATIONAL ASSOCIATION,
as Trustee

INDENTURE

Dated as of January 31, 1996

$125,000,000

7.625% Senior Notes Due 2006

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INDENTURE, dated as of January 31, 1996 from NRG ENERGY, INC., a Delaware corporation (herein called the "Issuer"), to NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, as trustee (herein called the "Trustee").

W I T N E S S E T H:

WHEREAS, the Issuer has duly authorized the issue of $125,000,000 aggregate principal amount of its 7.625% Senior Notes Due 2006 (the "Securities") and, to provide, among other things, for the authentication, delivery and administration thereof, the Issuer has duly authorized the execution and delivery of this Indenture; and

WHEREAS, all things necessary to make the Securities, when executed by the Issuer and authenticated and delivered by the Trustee as in this Indenture provided, the valid, binding and legal obligations of the Issuer, and to constitute these presents a valid indenture and agreement according to its terms, have been done;

NOW, THEREFORE:

In consideration of the premises and the purchases of the Securities by the Holders (as defined herein) thereof, the Issuer and the Trustee mutually covenant and agree for the equal and proportionate benefit of the respective Holders from time to time of the Securities as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 Certain Terms Defined. The following terms (except as otherwise expressly provided) for all purposes of this Indenture shall have the respective meanings specified in this Section. All accounting terms used herein and not expressly defined shall have the meanings given to them in accordance with GAAP (as defined herein). The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. The terms defined in this Article include the plural as well as the singular.

"Agent Members" has the meaning set forth in Section 2.4(c).

"Applicable Premium" means, with respect to a Security at any time, the excess (if any) of (i) the sum of the present values of all of the remaining scheduled payments of principal of and interest on the Securities from the applicable redemption date through the Stated Maturity of such Security, computed on a semi-annual basis by discounting such payments (assuming a 360-day year consisting of twelve 30-day months and using a rate equal to the Treasury Rate plus 50 basis points) over (ii) the aggregate unpaid principal amount of the Security to be redeemed plus any accrued but unpaid interest thereon. The Applicable Premium

shall be computed as of the third Business Day prior to the applicable redemption date, and certified, by an Investment Banker.

"Board of Directors" means either the Board of Directors of the Issuer or any committee of such Board duly authorized to act on behalf of such Board.

"Business Day" means a day which is neither a legal holiday nor a day on which banking institutions (including, without limitation, the Federal Reserve System) are authorized or required by law or regulation to close in The City of New York or the city of Minneapolis, Minnesota.

"Capital Stock" means, with respect to any Person, any and all outstanding shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of, or interests in (however designated), the equity of such Person including, without limitation, all Common Stock and Preferred Stock and partnership and joint venture interests of such Person.

"Cedel" has the meaning set forth in Section 2.4(b).

"Change of Control" means the occurrence of one or more of the following events: (i) NSP (or its successors) shall cease to own a majority of the outstanding Voting Stock of the Issuer, (ii) at any time following the occurrence of the event described in clause (i), a Person or group (as that term is used in Section 13(d)(3) of the Exchange Act) of Persons (other than NSP) shall have become the beneficial owner, directly or indirectly, or shall have acquired the absolute power to direct the vote, of more than 35% of the outstanding Voting Stock of the Issuer or (iii) during any twelve-month period, individuals who at the beginning of such period constitute the Board of Directors (together with any new directors whose election or nomination was approved by a majority of the directors then in office who were either directors at the beginning of such period or who were previously so approved) shall cease for any reason to constitute a majority of the Board of Directors. Notwithstanding the foregoing, a Change of Control shall be deemed not to have occurred if one or more of the above events occurs or circumstances exist and, after giving effect thereto, the Securities are rated Investment Grade. For purposes of clause (i), NSP's "successors" shall be deemed to include the "Company," as that term is defined in the Amended and Restated Agreement and Plan of Merger dated as of April 28, 1995, as amended and restated as of July 26, 1995, between NSP and Wisconsin Energy Corporation, a Wisconsin corporation, if the merger contemplated by such agreement is consummated substantially in accordance with the terms specified therein.

"Change of Control Offer" has the meaning set forth in Section 3.10(b) hereof.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body (if any) performing such duties at such time.

"Common Stock" means, with respect to any Person, Capital Stock of such Person that does not rank prior, as to the payment of dividends or as to the distribution of assets upon

any voluntary or involuntary liquidation, dissolution or winding up of such

Person, to shares of any other class of Capital Stock of such Person.

"Consolidated Current Assets" and "Consolidated Current Liabilities" mean such assets and liabilities of the Issuer on a consolidated basis as shall be determined in accordance with GAAP to constitute current assets and current liabilities, respectively, provided that inventory shall be valued at the lower of cost (using the average life method) or market.

"Consolidated Net Income" means, for any period, the net income of the Issuer determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Tangible Assets" means, as of the date of determination thereof, Consolidated Total Assets as of such date less the sum of (i) Consolidated Current Liabilities and (ii) Intangible Assets.

"Consolidated Tangible Net Worth" means, as of the date of determination thereof, shareholders' equity of the Issuer determined on a consolidated basis in accordance with GAAP, less Intangible Assets.

"Consolidated Total Assets" means, as of the date of any determination thereof, the total amount of all assets of the Issuer determined on a consolidated basis in accordance with GAAP.

"Corporate Trust Office" means the principal office of the Trustee at which the corporate trust business of the Trustee shall, at any particular time, be principally administered, which office is, at the date as of which this Indenture is dated, located at Corporate Trust, Norwest Center, Sixth and Marquette, Minneapolis, Minnesota 55479-0069.

"Euroclear" has the meaning set forth in Section 2.4(b).

"Event of Default" means any event or condition specified as such in Section 4.1 hereof that shall have continued for the period of time, if any, therein designated.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"GAAP" means generally accepted accounting principles in the U.S. applied on a basis consistent with the principles, methods, procedures and practices employed in the preparation of the Issuer's audited financial statements, including, without limitation, those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

"Global Security" has the meaning set forth in Section 2.4(c).

"Holder," "Holder of Securities," "Securityholder" and other similar terms mean the registered holder of any Security.

"IAI Global Security" has the meaning set forth in Section 2.4(b).

"Indebtedness" has the meaning set forth in Section 3.8.

"Indenture" means this instrument as originally executed and delivered or, if amended or supplemented as herein provided, as so amended or supplemented.

"Initial Purchasers" means Bear, Stearns & Co. Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

"Intangible Assets" means, as of the date of determination thereof, all assets of the Issuer properly classified as intangible assets determined on a consolidated basis in accordance with GAAP.

"Interest Payment Date" means, with respect to any Security, the Stated Maturity of an installment of interest on such Security.

"Investment Banker" means an independent investment banking institution of national standing selected by the Issuer.

"Investment Grade" means, with respect to the Securities, a rating of Baa3 or higher by Moody's Investors Service, Inc. and a rating of BBB- or higher by Standard and Poor's Ratings Group (or, if either or both of the foregoing rating agencies ceases to rate the Securities for reasons beyond the control of the Issuer, equivalent ratings by one or two (as the case may be) other nationally recognized statistical rating organizations (as such term is defined in Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act); provided that if either of the foregoing rating agencies shall change its ratings designations while the Securities are Outstanding, "Investment Grade" shall mean the lowest ratings designation signifying "investment grade" issued by such agencies (or higher).

"Issuer" means NRG Energy, Inc., a Delaware corporation, and, subject to Article 8 hereof, its successors and assigns.

"Legend" has the meaning set forth in Section 2.6(d).

"Minimum Consolidated Tangible Net Worth" means an amount, as of the date of any determination thereof, equal to the sum of $175 million plus 25% of Consolidated Net Income for the period from and including April 1, 1996 to such determination date, but which amount shall in no event be less than $175 million.

"NSP" means Northern States Power Company, a Minnesota corporation.

"Officers' Certificate" means a certificate signed on behalf of the Issuer by the Chairman of the Board of Directors or the President or any Vice President and by the Chief Financial Officer or the Secretary or any Assistant Secretary or the Treasurer or any Assistant Treasurer of the Issuer and delivered to the Trustee. Each such certificate shall include the statements provided for in Section 10.5 hereof, if and to the extent required thereby.

"Opinion of Counsel" means an opinion in writing signed by legal counsel satisfactory to the Trustee, who may be an employee of or counsel to the Issuer. Each such opinion shall include the statements provided for in Section 10.5 hereof, if and to the extent required thereby.

"Original Issue Date" of any Security (or portion thereof) means the earlier of (a) the date of such Security or (b) the date of any Security (or portion thereof) in exchange for which such Security was issued (directly or indirectly) on registration of transfer, exchange or substitution.

"Outstanding", when used with reference to Securities, shall, subject to the provisions of Section 6.4 hereof, mean, as of any

particular time, all Securities authenticated and delivered by the Trustee under this Indenture, except:

1. Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation, or which shall have been paid pursuant to Section 2.7 hereof (other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands the Securities are valid obligations of the Issuer); and

2. Securities, or portions thereof, for the payment or redemption of which moneys or direct obligations of the United States of America backed by its full faith and credit in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Issuer) or shall have been set aside, segregated and held in trust by the Issuer (if the Issuer shall act as its own paying agent), provided that if such Securities are to be redeemed prior to the maturity thereof, notice of such redemption shall have been herein provided, or provision satisfactory to the Trustee shall have been given as herein provided, or provision satisfactory to the Trustee shall have been made for giving such notice.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Preferred Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of preferred or preference Capital Stock of such Person that is outstanding or issued on or after the date of this Indenture.

"Purchase Agreement" means the Purchase Agreement dated January 29, 1996 between the Issuer and the Initial Purchasers.

"Regulation S" has the meaning set forth in Section 2.4(b).

"Repurchase Date" has the meaning set forth in Section 3.10(b).

"Responsible Officer", when used with respect to the Trustee, means any officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Restricted Regulation S Global Security" has the meaning set forth in Section 2.4(b). "Rule 144A" has the meaning set forth in Section 2.4(b).

"Rule 144A Global Security" has the meaning set forth in Section 2.4(b).

"Rule 144A Information" has the meaning specified in Section 3.7.

"Securities Act" means the Securities Act of 1933, as amended.

"Security" or "Securities" has the meaning set forth in the

recitals above.

"Securities Register" and "Security Registrar" have the respective meanings specified in Section 2.6 hereof.

"Stated Maturity" means, with respect to any debt security or any installment of interest thereon, the date specified in such debt security as the fixed date on which any principal of such debt security or any such installment of interest is due and payable.

"Treasury Rate" means, with respect to any Security to be redeemed, a per annum rate (expressed as a semiannual equivalent and as a decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield) determined and certified by an Investment Banker to be the per annum rate equal to the semiannual yield to maturity of United States Treasury securities maturing on the Average Life Date (as defined below) of such Security, as determined by interpolation between the most recent weekly average yields to maturity for two series of Treasury securities, (A) one maturing as close as possible to, but earlier than, the Average Life Date of such Security and (B) the other maturing as close as possible to, but later than, the Average Life Date of such Security, in each case as published in the most recent H.15(519) (or, if a weekly average yield to maturity for United States Treasury securities maturing on the Average Life Date of such Security is reported in the most recent H.15(519), as published in H.15(519)). "H.15(519)" means "Statistical Release H.15(519), Selected Interest Rates," or any successor publication, published by the Board of Governors of the Federal Reserve System. The "most recent H.15(519)" means the latest H.15(519) that is published prior to the close of business on the third Business Day prior to the applicable redemption date. The "Average Life Date" for any Security to be redeemed shall be the date that follows the redemption date by a period equal to the Remaining Weighted Average Life of such Security. The "Remaining Weighted Average Life" of such Security with respect to the redemption of such Security is the number of days equal to the quotient obtained by dividing (A) the sum of the products obtained by multiplying (1) the amount of each remaining principal payment on such Security by (2) the number of days from and including the redemption date, to but excluding the scheduled payment date of such principal payment by (B) the unpaid principal amount of such Security.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

"Trustee" means the entity identified as "Trustee" in the first paragraph hereof until the appointment of a successor trustee pursuant to Article 5, after which "Trustee" shall mean such successor trustee.

"Unrestricted Regulation S Global Security" has the meaning set forth in Section 2.4(b).

"U.S. Depositary" has the meaning set forth in Section 2.4(b).

"U.S. Government Obligations" means securities that are (i) direct and unconditional obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by, and acting as an agency or instrumentality of, the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company subject to federal or state supervision or examination with a combined capital and surplus of at least $100,000,000, as custodian with respect to any such U.S. Government Obligations or a specific payment of

interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors (or persons fulfilling similar responsibilities) of such Person.

ARTICLE II

ISSUE, EXECUTION, FORM AND REGISTRATION OF SECURITIES

SECTION 2.1 Authentication and Delivery of Securities. Upon the execution and delivery of this Indenture, or from time to time thereafter, Securities in an aggregate principal amount not in excess of $125,000,000 (except as otherwise provided in Section 2.7 hereof) may be executed by the Issuer and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Securities to or upon the written order of the Issuer, signed by both (a) its Chairman of the Board Directors, or any Vice Chairman of the Board of Directors, or its President or any Vice President and (b) by its Chief Financial Officer, or its Secretary or any Assistant Secretary, or its Treasurer or any Assistant Treasurer without any further action by the Issuer. The Securities shall be direct, unconditional obligations of the Issuer and shall rank pari passu without preference among themselves and equally in priority of payment with all other present and future unsubordinated, unsecured indebtedness of the Issuer.

SECTION 2.2 Execution of Securities. The Securities shall be signed on behalf of the Issuer by both (a) its Chairman of the Board of Directors or any Vice Chairman of the Board of Directors or its President or any Vice President and (b) by its Chief Financial Officer or its Secretary or any Assistant Secretary or its Treasurer or any Assistant Treasurer, under its corporate seal which may, but need not, be attested. Such signatures may be the manual or facsimile signatures of the present or any future such officers. The seal of the Issuer may be in the form of a facsimile thereof and may be impressed, affixed, imprinted or otherwise reproduced on the Securities. Typographical and other minor errors or defects in any such reproduction of the seal or any such signature shall not affect the validity or enforceability of any Security that has been duly authenticated and delivered by the Trustee.

In case any officer of the Issuer who shall have signed any of the Securities shall cease to be such officer before the Security so signed shall be authenticated and delivered by the Trustee or disposed of by the Issuer, such Security nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Security had not ceased to be such officer of the Issuer; and any Security may be signed on behalf of the Issuer by such Persons as, at the actual date of the execution of such Security, shall be the proper officers of the Issuer, although at the date of the execution and delivery of this Indenture any such Person was not such officer.

SECTION 2.3 Certificate of Authentication. Only such Securities as shall bear thereon a certificate of authentication substantially in the form recited in the form of Security attached as Exhibit A hereto,

executed by the Trustee by manual signature of one of its authorized signatories, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee upon any Security executed by the Issuer shall be conclusive evidence that the Security so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

SECTION 2.4 Form, Denomination and Date of Securities; Payments of Interest. (a) The Securities and the Trustee's certificate of authentication shall be substantially in the form set forth in the form of Security attached as Exhibit A hereto. The Securities shall be numbered, lettered, or otherwise distinguished in such manner or in accordance with such plans as the officers of the Issuer executing the same may determine with the approval of the Trustee.

Any of the Securities may be issued with appropriate insertions, omissions, substitutions and variations, and may have imprinted or otherwise reproduced thereon such legend or legends, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto, or with the rules of any securities market in which the Securities are admitted to trading, or to conform to general usage.

(b) Securities offered and sold in reliance on Regulation S under the Securities Act ("Regulation S") as provided in the Purchase Agreement shall be issued in the form of a permanent Global Security (as defined herein) in definitive, fully registered form without interest coupons substantially in the form of Security attached as Exhibit A hereto with such legends as may be applicable thereto in accordance with such form, which shall be deposited on behalf of the purchasers of the Securities represented thereby with the Trustee at the Corporate Trust Office, as custodian for The Depository Trust Company (hereinafter, the "U.S. Depositary") and

registered in the name of a nominee of the U.S. Depositary, duly executed by the Issuer and authenticated by the Trustee as hereinafter provided, for credit to their respective accounts (or to such other accounts as they may direct) at Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") or Cedel, S.A. ("Cedel"). Until the termination of the restricted period (as defined in Regulation S) with respect to the offer and sale of the Securities, interests in such Global Security may only be held by the Agent Members (as defined herein) for Euroclear and Cedel. Until such time as the restricted period shall have terminated, such Global Security shall be referred to herein as the "Restricted Regulation S Global Security." After such time as the restricted period shall have terminated, such Global Security shall be referred to herein as the "Unrestricted Regulation S Global Security." The aggregate principal amount of the Restricted Regulation S Global Security and the Unrestricted Regulation S Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the U.S. Depositary, as hereinafter provided. The Issuer shall notify the Trustee of the termination of the restricted period by furnishing to the Trustee a certificate substantially in the form of Exhibit B hereto.

Securities offered and sold in reliance on Rule 144A under the Securities Act ("Rule 144A") as provided in the Purchase Agreement shall be issued in the form of a permanent Global Security (the "Rule 144A Global Security") in definitive fully registered form without interest coupons substantially in the form of Security attached as Exhibit A hereto with such legends as may be applicable thereto in accordance with the form of such Security deposited with the Trustee, at the Corporate Trust Office, as custodian for the U.S. Depositary, duly executed by the Issuer and authenticated by the Trustee as hereinafter provided. The aggregate principal

amount of the Rule 144A Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the U.S. Depositary, and the U.S. Depositary or its nominee, as the case may be, as hereinafter provided.

Securities offered and sold to institutions that are "accredited investors" within the meaning of Rule 501(a)(1), (2), (3) or (7) of the Securities Act shall be issued in the form of a permanent Global Security (the "IAI Global Security") in definitive fully registered form without interest coupons substantially in the form of Security attached as Exhibit A hereto with such legends as may be applicable thereto in accordance with the form of such Security deposited with the Trustee, at the Corporate Trust Office, as custodian for the U.S. Depositary, duly executed by the Issuer and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the IAI Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the U.S. Depositary, and the U.S. Depositary or its nominee, as the case may be, as hereinafter provided.

(c) (i) This Section 2.4(c)(i) shall apply only to Securities in global form ("Global Securities") deposited with the U.S. Depositary.

The Issuer shall execute and the Trustee shall, in accordance with this Section 2.4(c)(i), authenticate and deliver initially Global Securities that (a) shall be registered in the name of the U.S. Depositary for such Global Securities or the nominee of such U.S. Depositary, (b) shall be deposited on behalf of Agent Members (as defined herein) with the Trustee as custodian for the U.S. Depositary and (c) shall bear legends substantially to the following effect:

"UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF [INSERT NAME AND ADDRESS OF U.S. DEPOSITARY] TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN EXCHANGE FOR THIS CERTIFICATE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF [INSERT NAME OF U.S. NOMINEE OF DEPOSITARY], OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF [INSERT NAME OF U.S. DEPOSITARY], OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF [INSERT NAME OF U.S. DEPOSITARY] (AND ANY PAYMENT HEREON IS MADE TO [INSERT NAME OF NOMINEE OF U.S. DEPOSITARY]), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN [INSERT NAME OF U.S. DEPOSITARY OR A NOMINEE THEREOF] IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, [INSERT NAME OF NOMINEE OF U.S. DEPOSITARY], HAS AN INTEREST HEREIN".

"TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF [INSERT NAME OF U.S. DEPOSITARY] OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 2.6 OF THE INDENTURE REFERRED TO ON THE REVERSE HEREOF".

Members of, or participants in, a U.S. Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the U.S. Depositary or under any Global Security, and the U.S. Depositary may be treated by the Issuer, the Trustee,

and any agent of the Issuer or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Trustee or any agent of the Issuer or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the U.S. Depositary or impair, as between the U.S. Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any security.

(c) (ii) This Section 2.4(c)(ii) shall apply only to the Global Security deposited on behalf of the purchasers of the Securities represented thereby with the Trustee as custodian for the U.S. Depositary for credit to their respective accounts (or to such other accounts as they may direct) at Euroclear or Cedel insofar as interests in the Global Security are held by the Agent Members for Euroclear or Cedel.

The provisions of the "Operating Procedures of the Euroclear System" and the "Terms and Conditions Governing Use of Euroclear" and the "Management Regulations" and "Instructions to Participants" of Cedel, respectively, shall be applicable to such Global Security insofar as interests therein are held by the Agent Members for Euroclear and Cedel. Account holders or participants in Euroclear and Cedel shall have no rights under this Indenture with

respect to the Global Security, and the nominee of the U.S. Depositary may be treated by the Issuer and the Trustee and any agent of the Issuer or the Trustee as the owner of the Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Trustee or any agent of the Issuer or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the U.S. Depositary or impair, as between the U.S. Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any security.

(d) Each Security shall be dated the date of its authentication and shall bear interest from the applicable date, and shall be payable on the dates, specified on the face of the form of Security attached as Exhibit A hereto.

(e) The Person in whose name any Security is registered at the close of business on the record date specified in the Securities with respect to any Interest Payment Date shall be entitled to receive the interest, if any, payable on such Interest Payment Date notwithstanding any transfer or exchange of such Security subsequent to the record date and prior to such Interest Payment Date, except if and to the extent the Issuer shall default in the payment of the interest due on such Interest Payment Date, in which case such defaulted interest shall be paid to the Persons in whose names Outstanding Securities are registered at the close of business on a subsequent special record date, to be established (together with the related payment date) by the Issuer with the consent of the Trustee. Such special record date shall not be more than 15 nor less than 10 Business Days prior to the payment date. Not more than 15 days prior to the special record date, the Issuer (or the Trustee, in the name of and at the expense of the Issuer) shall mail to Holders a notice that states the special record date, the related payment date and the amount of interest to be paid. Notice of the proposed payment of such defaulted interest and the special record date therefor having been mailed as aforsaid, such defaulted interest shall be paid to the Persons in whose names the Securities are registered on such special record date.

(f) The Securities shall be issuable in the denominations specified in the form of Security attached as Exhibit A hereto.

SECTION 2.5 Global Securities. (a) Portions of a Global

Security deposited with the U.S. Depositary pursuant to Section 2.4 shall be transferred in certificated form to the beneficial owners thereof only if such transfer complies with Section 2.6 of this Indenture and (i) the U.S. Depositary notifies the Issuer that it is unwilling or unable to continue as U.S. Depositary for such Global Security or if at any time such U.S. Depositary ceases to be a "clearing agency" registered under the Exchange Act and a successor depositary is not appointed by the Issuer within 90 days of such notice, or (ii) an Event of Default has occurred and is continuing with respect to the Securities and payment of principal thereof and interest thereon has been accelerated.

(b) Portions of any Global Security that are transferable to the beneficial owners thereof pursuant to this Section 2.5 shall be surrendered by the U.S. Depositary to the Trustee at its New York office for registration of transfer, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such registration of transfer of each portion of such Global Security, an equal aggregate principal amount of Securities of authorized denominations. Any portion of a Global Security whose registration is transferred pursuant to

this Section 2.5 shall be executed, authenticated and delivered only in the denominations specified in the form of Security attached as Exhibit A hereto and registered in such names as the U.S. Depositary shall direct. Any Security delivered in exchange for a portion of the Rule 144A Global Security shall bear the Legend regarding transfer restrictions applicable to the Rule 144A Global Security set forth on the form of Security attached as Exhibit A hereto. Any Security delivered in exchange for a portion of the IAI Global Security shall bear the Legend regarding transfer restrictions set forth on the form of Security attached as Exhibit A hereto. Any Security delivered in exchange for a portion of the Restricted or Unrestricted Regulation S Global Security shall bear the Legend regarding transfer restrictions applicable to the Restricted or Unrestricted Registration S Global Security, as the case may be, set forth on the form of Security attached as Exhibit A hereto.

(c) Subject to the provisions of Section 2.4(c) above, the registered Holder of any Global Security may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Securities.

(d) In the event of the occurrence of any of the events specified in paragraph (a) of this Section 2.5, the Issuer shall promptly make available to the Trustee a reasonable supply of certificated Securities in definitive fully registered form without interest coupons.

(e) The Global Security issued and authenticated pursuant to the first paragraph of Section 2.4(b) (both before and after the expiration of the restricted period), the Rule 144A Global Security and the IAI Global Security shall each be assigned separate securities identification, or "CUSIP," numbers.

SECTION 2.6 Registration, Registration of Transfer and Exchange. (a) The Issuer shall keep at each office or agency to be maintained for the purpose as provided in Section 3.2 hereof a register or registers (collectively referred to as the "Securities Register") in which, subject to such reasonable regulations as it may prescribe, it will register or cause to be registered, and will register or cause to be registered the transfer of, Securities as in this Article provided. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided. If at any time the Trustee shall not be serving as Security Registrar, at all reasonable times such Securities Register shall be open for inspection by the Trustee.

Upon due presentation for registration of transfer of any Security at each such office or agency, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Security or Securities in authorized denominations for a like aggregate principal amount.

Any Security or Securities may be exchanged for a Security or Securities in other authorized denominations, in an equal aggregate principal amount. Securities to be exchanged shall be surrendered at each office or agency to be maintained by the Issuer for the purpose as provided in Section 3.2 hereof, and the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor the Security or Securities which the Securityholder making the exchange shall be entitled to receive, bearing numbers not contemporaneously outstanding.

All Securities presented for registration of transfer, exchange, redemption or payment shall (if so required by the Issuer or the Trustee) be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Issuer and the Trustee duly executed by, the Holder or its attorney duly authorized in writing.

The Issuer or Trustee shall not be required to exchange or register a transfer of (a) any Securities for a period of 15 days next preceding the first mailing of notice of redemption of Securities to be redeemed or (b) any Securities selected, called or being called for redemption except, in the case of any Security where public notice has been given that such Security is to be redeemed in part, the portion thereof not so to be redeemed.

All Securities issued upon any registration of transfer or exchange of Securities shall be valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

(b) Notwithstanding any provision to the contrary herein, so long as a Global Security remains outstanding and is held by or on behalf of the U.S. Depositary, transfers of a Global Security, in whole or in part, shall only be made (x) in the case of transfers of portions of a Global Security to beneficial owners thereof in certificated form, in accordance with Section 2.5, and (y) in all other cases, in accordance with this Section 2.6(b) (and subject, in each case, to the provisions of any Legend (as defined herein) imprinted on such Global Security).

(i) Transfers of Global Securities as such. Subject to clauses (ii) through (vi) of this Section 2.6(b), transfers of a Global Security shall be limited to transfers of such Global Security in whole, and not in part, to nominees of the U.S. Depositary or to a successor of the U.S. Depositary or such successor's nominee.

(ii) Rule 144A Global Security or IAI Global Security to Restricted Regulation S Global Security. If a holder of a beneficial interest in the Rule 144A Global Security or the IAI Global Security deposited with the U.S. Depositary wishes at any time to exchange or transfer its interest in such Global Security to a Person who wishes to take delivery thereof in the form of an interest in the Restricted Regulation S Global Security, such holder may, subject to the rules and procedures of the U.S. Depositary, exchange or transfer or cause the exchange or transfer of such interest for an equivalent beneficial interest in the Restricted Regulation S Global Security in accordance with, and subject to, this clause (ii). Upon receipt by

the Trustee at the Corporate Trust Office of (1) instructions given in accordance with the U.S. Depositary's procedures from an Agent Member directing the Trustee to credit or cause to be credited a beneficial interest in the Restricted Regulation S Global Security in an amount equal to the beneficial interest in the Rule 144A Global Security or the IAI Global Security, as the case may be, to be exchanged or transferred, (2) a written order given in accordance with the U.S. Depositary's procedures containing information regarding the Euroclear or Cedel account to be credited with such increase and the name of such account, and (3) a certificate in the form of Exhibit C attached hereto given by the holder of such beneficial interest stating that the exchange or transfer of such interest has been made in compliance with the transfer restrictions applicable to the Securities and pursuant to and in accordance

with Regulation S, the Trustee shall instruct the U.S. Depositary to reduce the Rule 144A Global Security or the IAI Global Security, as the case may be, by the aggregate principal amount of the beneficial interest in the Rule 144A Global Security or the IAI Global Security, as the case may be, to be so exchanged or transferred and the Trustee shall instruct the U.S. Depositary, concurrently with such reduction, to increase the principal amount of the Restricted Regulation S Global Security by the aggregate principal amount of the beneficial interest in the Rule 144A Global Security or the IAI Global Security, as the case may be, to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions (who shall be the Agent Member for Euroclear or Cedel, or both, as the case may be) a beneficial interest in the Restricted Regulation S Global Security equal to the reduction in the principal amount of the Rule 144A Global Security or the IAI Global Security, as the case may be.

(iii) Rule 144A Global Security or IAI Global Security to Unrestricted Regulation S Global Security. If a holder of a beneficial interest in the Rule 144A Global Security or the IAI Global Security, as the case may be, deposited with the U.S. Depositary wishes at any time to exchange its interest in such Global Security for an interest in the Unrestricted Regulation S Global Security, or to transfer its interest in such Global Security to a Person who wishes to take delivery thereof in the form of an interest in the Unrestricted Regulation S Global Security, such holder may, subject to the rules and procedures of the U.S. Depositary, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in the Unrestricted Regulation S Global Security in accordance with, and subject to, this clause (iii). Upon receipt by the Trustee at the Corporate Trust Office of (1) instructions given in accordance with the U.S. Depositary's procedures from an Agent Member directing the Trustee to credit or cause to be credited a beneficial interest in the Unrestricted Regulation S Global Security in an amount equal to the beneficial interest in the Rule 144A Global Security or the IAI Global Security, as the case may be, to be exchanged or transferred, (2) a written order given in accordance with the U.S. Depositary's procedures containing information regarding the participant account of the U.S. Depositary and, in the case of a transfer pursuant to and in accordance with Regulation S, the Euroclear or Cedel account to be credited with such increase and (3) a certificate in the form of Exhibit D attached hereto given by the holder of such beneficial interest stating that the exchange or transfer of such interest has been made in compliance with the transfer restrictions applicable to the Securities and (A) in the case of an exchange, that either (x) the Security being exchanged is not a "restricted security" as

defined in Rule 144 under the Securities Act, or (y) the exchange is being made to facilitate a contemporaneous transfer that complies with this clause (iii), (B) in the case of a transfer pursuant to Regulation S, that the Security is being transferred pursuant to and in accordance with Regulation S, (C) in the case of a transfer pursuant to Rule 144, that the Security is being transferred pursuant to and in accordance with Rule 144 or (D) in the case of a transfer pursuant to another exemption from the Securities Act (including without limitation Rule 144A), specifying the basis for such exemption, the Trustee shall instruct the U.S. Depositary to reduce the Rule 144A Global Security or the IAI Global Security, as the case may be, by the aggregate principal amount of the beneficial interest in the Rule 144A Global Security or the IAI Global Security, as the case may be, to be

so exchanged or transferred and the Trustee shall instruct the U.S. Depositary, concurrently with such reduction, to increase the principal amount of the Unrestricted Regulation S Global Security by the aggregate principal amount of the beneficial interest in the Rule 144A Global Security or the IAI Global Security, as the case may be, to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Unrestricted Regulation S Global Security equal to the reduction in the principal amount of the Rule 144A Global Security or the IAI Global Security, as the case may be.

(iv) Restricted Regulation S Global Security, Unrestricted Regulation S Global Security or IAI Global Security to Rule 144A Global Security. If a holder of a beneficial interest in the Restricted Regulation S Global Security, the Unrestricted Regulation S Global Security or the IAI Global Security deposited with the U.S. Depositary wishes at any time to exchange or transfer its interest in such Restricted Regulation S Global Security, Unrestricted Regulation S Global Security or IAI Global Security to a Person who wishes to take delivery thereof in the form of an interest in the Rule 144A Global Security such holder may, subject to the rules and procedures of Euroclear or Cedel and the U.S. Depositary, as the case may be, exchange or transfer or cause the exchange or transfer of such interest for an equivalent beneficial interest in the Rule 144A Global Security, in accordance with, and subject to, this clause (iv). Upon receipt by the Trustee, at the Corporate Trust Office of (1) instructions from Euroclear or Cedel or the U.S. Depositary, as the case may be, directing the Trustee to credit or cause to be credited a beneficial interest in the Rule 144A Global Security equal to the beneficial interest in the Restricted Regulation S Global Security, the Unrestricted Regulation S Global Security or the IAI Global Security to be exchanged or transferred, such instructions to contain information regarding the Agent Member's account with the U.S. Depositary to be credited with such increase, and, with respect to an exchange or transfer of an interest in the Unrestricted Regulation S Global Security, information regarding the Agent Member's account with the U.S. Depositary to be debited with such decrease, and (2) a certificate in the form of Exhibit E attached hereto given by the holder of such beneficial interest and stating that the person exchanging or transferring such interest in the Restricted Regulation S Global Security, the Unrestricted Regulation S Global Security or the IAI Global Security, as the case may be, reasonably believes that the person acquiring such interest in the Rule 144A Global Security is a qualified institutional buyer (as defined in Rule 144A) and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A, Euroclear or Cedel or the Trustee, as the case may be, shall instruct the U.S.

Depositary to reduce the Restricted Regulation S Global Security, the Unrestricted Regulation S Global Security or the IAI Global Security, as the case may be, by the aggregate principal amount of the beneficial interest in the Restricted Regulation S Global Security, the Unrestricted Regulation S Global Security or the IAI Global Security to be exchanged or transferred, and the Trustee shall instruct the U.S. Depositary, concurrently with such reduction to increase the principal amount of the Rule 144A Global Security by the aggregate principal amount of the beneficial interest in the Restricted Regulation S Global Security, the Unrestricted Regulation S Global Security or the IAI Global Security, as the case may be, to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Rule 144A Global Security equal to the

reduction in the principal amount of the Restricted Regulation S Global Security, the Unrestricted Regulation S Global Security or the IAI Global Security, as the case may be.

(v) Rule 144A Global Security, Restricted Regulation S Global Security or Unrestricted Regulation S Global Security to IAI Global Security. If a holder of a beneficial interest in the Rule 144A Global Security, the Restricted Regulation S Global Security or the Unrestricted Regulation S Global Security deposited with the U.S. Depositary wishes at any time to exchange or transfer its interest in such Global Security to a Person who wishes to take delivery thereof in the form of an interest in the IAI Global Security such holder may, subject to the rules and procedures of Euroclear or Cedel and the U.S. Depositary, as the case may be, exchange or transfer or cause the exchange or transfer of such interest for an equivalent beneficial interest in the IAI Global Security, in accordance with, and subject to, this clause (v). Upon receipt by the Trustee, at the Corporate Trust Office of (1) instructions from Euroclear or Cedel or the U.S. Depositary, as the case may be, directing the Trustee to credit or cause to be credited a beneficial interest in the IAI Global Security equal to the beneficial interest in the Restricted Regulation S Global Security, the Unrestricted Regulation S Global Security or the Rule 144A Global Security to be exchanged or transferred, such instructions to contain information regarding the Agent Member's account with the U.S. Depositary to be credited with such increase, and, with respect to an exchange or transfer of an interest in the Unrestricted Regulation S Global Security, information regarding the Agent Member's account with the U.S. Depositary to be debited with such decrease, and (2) a certificate in the form of Exhibit F attached hereto given by the holder of such beneficial interest and stating that the person exchanging or transferring such interest reasonably believes that the person acquiring such interest in the IAI Global Security is an institution that is an "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) and is obtaining such beneficial interest in a transaction exempt from the Securities Act, Euroclear or Cedel or the Trustee, as the case may be, shall instruct the U.S. Depositary to reduce the Restricted Regulation S Global Security, the Unrestricted Regulation S Global Security or the Rule 144A Global Security, as the case may be, by the aggregate principal amount of the beneficial interest in such Global Securities to be exchanged or transferred, and the Trustee shall instruct the U.S. Depositary, concurrently with such reduction to increase the principal amount of the IAI Global Security by the aggregate principal amount of the beneficial interest in the Restricted Regulation S Global Security, the Unrestricted Regulation S Global Security or the Rule 144A Global Security, as the case may be, to be so exchanged or transferred, and

to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the IAI Global Security equal to the reduction in the principal amount of the Restricted Regulation S Global Security, the Unrestricted Regulation S Global Security or the Rule 144A Global Security, as the case may be.

(vi) Other Exchanges. In the event that a Global Security is exchanged for Securities in definitive registered form without interest coupons pursuant to Section 2.5 hereof, such Securities may be exchanged or transferred for one another only in accordance with such procedures as are substantially consistent with the provisions of clauses (ii) through (v) above (including, without limitation, the certification requirements

intended to insure that such exchanges or transfers comply with Rule 144A, Rule 144 or Regulation S under and generally with the Securities Act, as the case may be) and as may be from time to time adopted by the Issuer and the Trustee.

(c) Successive registrations and registrations of transfers and exchanges as aforesaid may be made from time to time as desired, and each such registration shall be noted on the Security Register. No service charge shall be made for any registration of transfer or exchange of the Securities, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith and any other amounts required to be paid by the provisions of the Securities.

(d) If Securities are issued upon the registration of transfer, exchange or replacement of Securities not bearing the legends required by the form of Security attached as Exhibit A hereto (collectively, the "Legend"), the Securities so issued shall bear the Legend. If Securities are issued upon the registration of transfer, exchange or replacement of Securities bearing the Legend, or if a request is made to remove the Legend on a Security, the Securities so issued shall bear the Legend, or the Legend shall not be removed, as the case may be, unless there is delivered to the Issuer and the Trustee such satisfactory evidence, which may include an opinion of counsel of recognized standing licensed to practice law in the State of New York and experienced in matters involving the Securities Act, as may be reasonably required by the Issuer that neither the Legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or that such Securities are not "restricted securities" within the meaning of Rule 144 under the Securities Act. Upon provision of such satisfactory evidence, the Trustee, at the direction of the Issuer, shall authenticate and deliver a Security that does not bear the Legend. If a legend is removed from the face of a Security and the Security is subsequently held by an affiliate of the Issuer, the Legend shall be reinstated.

SECTION 2.7 Mutilated, Defaced, Destroyed, Lost and Stolen Securities. In case any temporary or definitive Security shall become mutilated, defaced or be apparently destroyed, lost or stolen, the Issuer in its discretion may execute, and upon the written request of any officer of the Issuer, the Trustee shall authenticate and deliver a new Security, bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Security, or in lieu of and substitution for the Security so apparently destroyed, lost or stolen. In every case the applicant for a substitute Security shall furnish to the Issuer and to the Trustee and any agent of the Issuer or the Trustee such security or indemnity as may be required by them to indemnify and defend and to save each of them harmless and, in every case of destruction, loss or theft, evidence to their

satisfaction of the apparent destruction, loss or theft of such Security and of the ownership thereof.

Upon the issuance of any substitute Security, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith. In case any Security which has matured or is about to mature, or has been called for redemption in full, shall become mutilated or defaced or be apparently destroyed, lost or stolen, the Issuer may, instead of issuing a substitute Security, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated or defaced Security),

if the applicant for such payment shall furnish to the Issuer and to the Trustee and any agent of the Issuer or the Trustee such security or indemnity as any of them may require to save each of them harmless from all risks, however remote, and, in every case of apparent destruction, loss or theft, the applicant shall also furnish to the Issuer and the Trustee and any agent of the Issuer or the Trustee evidence to their satisfaction of the apparent destruction, loss or theft of such Security and of the ownership thereof.

Every substitute Security issued pursuant to the provisions of this Section by virtue of the fact that any Security is apparently destroyed, lost or stolen shall constitute an additional contractual obligation of the Issuer, whether or not the apparently destroyed, lost or stolen Security shall be at any time enforceable by anyone and shall be entitled to all the benefits of (but shall be subject to all the limitations of rights set forth in) this Indenture equally and proportionately with any and all other Securities duly authenticated and delivered hereunder. All Securities shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, defaced, or apparently destroyed, lost or stolen Securities and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.8 Cancellation of Securities; Destruction Thereof. All Securities surrendered for payment, redemption, registration of transfer or exchange, if surrendered to the Issuer or any agent of the Issuer or the Trustee, shall be delivered to the Trustee for cancellation or, if surrendered to the Trustee, shall be canceled by it provided all conditions regarding such cancellation have been met; and no Securities shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall cancel and dispose of all Securities surrendered for registration of transfer, exchange, payment or cancellation in accordance with the Trustee's policy of disposal unless the Issuer instructs the Trustee in writing to deliver the Securities to the Issuer. If the Issuer shall acquire any of the Securities, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are delivered to the Trustee for cancellation.

SECTION 2.9 Temporary Securities. Pending the preparation of definitive Securities, the Issuer may execute and the Trustee shall authenticate and deliver temporary Securities (printed, lithographed, typewritten or otherwise reproduced, in each case in form satisfactory to the Trustee). Temporary Securities shall be issuable as registered Securities without coupons, of any authorized denomination, and substantially in the form of the definitive Securities but with such omissions, insertions and variations as may be appropriate for temporary Securities, all as may be determined by the Issuer with the concurrence of the Trustee. Temporary Securities may contain such reference to any provisions of this Indenture as

may be appropriate. Every temporary Security shall be executed by the Issuer and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Securities. Without unreasonable delay the Issuer shall execute and shall furnish definitive Securities and thereupon temporary Securities may be surrendered in exchange therefor without charge at each office or agency to be maintained by the Issuer for the purpose pursuant to Section 3.2 hereof, and the Trustee shall authenticate and deliver in exchange for such temporary Securities a like aggregate principal amount of definitive Securities of authorized

denominations. Until so exchanged the temporary Securities shall be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 2.10 Computation of Interest. Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months.

ARTICLE III

COVENANTS OF THE ISSUER AND THE TRUSTEE

SECTION 3.1 Payment of Principal and Interest. The Issuer covenants and agrees that it will duly and punctually pay or cause to be paid the principal and Change of Control purchase price of, and premium, if any, and interest on, each of the Securities at the place or places, at the respective times and in the manner provided in the Securities. Payment of principal and the Change of Control purchase price of, and premium and interest on the Securities shall be paid by mailing a check to or upon the written order of the registered Holders of Securities entitled thereto at their last address as it appears on the Securities Register or, upon written application to the Trustee by a Holder of $1,000,000 or more in aggregate principal amount of Securities, by wire transfer of immediately available funds to an account maintained by such Holder with a bank or other financial institution; provided, however, that (subject to the provisions of Section 2.7 hereof) payment of principal and the Change of Control Price of, and premium, if any, on, any Security may be conditioned upon presentation for payment of the certificate representing such Security.

SECTION 3.2 Offices for Payments, etc. So long as any of the Securities remain Outstanding, the Issuer shall maintain in the Borough of Manhattan, The City of New York, the following: (a) an office or agency where the Securities may be presented for payment, (b) an office or agency where the Securities may be presented for registration of transfer and for exchange as in this Indenture provided and (c) an office or agency where notices and demands to or upon the Issuer in respect of the Securities or of this Indenture may be served. The Issuer shall give to the Trustee written notice of the location of any such office or agency and of any change of location thereof. The Issuer hereby initially designates the Trustee's New York office as such office or agency. In case the Issuer shall fail to maintain any such office or agency or shall fail to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the Corporate Trust Office.

SECTION 3.3 Appointment to Fill a Vacancy in Office of Trustee. The Issuer, whenever necessary to avoid or fill a vacancy in the office of Trustee, shall appoint, in the manner provided in Section 5.9 hereof, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 3.4 Paying Agents. The Trustee shall be the

principal paying agent for the Securities. Whenever the Issuer shall appoint a paying agent other than the Trustee, it

shall cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section,

(a) that it will hold all sums received by it as such agent for the payment of the principal or Change of Control purchase price of, or premium or interest on, the Securities (whether such sums have been paid to it by the Issuer or by any other obligor on the Securities) in trust for the benefit of the Holders of the Securities or of the Trustee,

(b) that it will give the Trustee notice of any failure by the Issuer (or by any other obligor on the Securities) to make any payment of the principal or Change of Control purchase price of, or premium or interest on, the Securities when the same shall be due and payable and

(c) pay any such sums so held in trust by it to the Trustee upon the Trustee's written request at any time during the continuance of the failure referred to in clause (b) above.

The Issuer shall, prior to each due date of the principal or Change of Control purchase price of, and premium, if any, or interest on the Securities, deposit with the paying agent a sum sufficient to pay such principal, Change of Control purchase price, premium or interest, and (unless such paying agent is the Trustee) the Issuer shall promptly notify the Trustee of any failure to take such action.

Anything in this Section 3.4 to the contrary notwithstanding, the Issuer may at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by any paying agent hereunder, as required by this Section 3.4, such sums to be held by the Trustee upon the trusts herein contained.

Anything in this Section to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 3.4 is subject to the provisions of Section 9.3 and Section 9.4 hereof.

SECTION 3.5 Certificate to Trustee. The Issuer shall furnish to the Trustee on or before March 31 in each year (beginning with March 31, 1996) a brief certificate from the principal executive, financial or accounting officer of this Issuer as to his or her knowledge of the Issuer's compliance with all covenants under this Indenture (such compliance to be determined without regard to any period of grace or requirement of notice provided under this Indenture).

SECTION 3.6 Securityholder's Lists. The Issuer shall furnish or cause to be furnished to the Trustee a list in such form as the Trustee may reasonably require of the names and addresses of the Holders of the Securities (a) semiannually not more than 15 days after each record date for the payment of semi-annual interest on the Securities, as specified in the form of Security attached as Exhibit A hereto, as of such record date and (b) at other times as the

Trustee may request in writing, within thirty days after receipt by the Issuer of any such request as of a date not more than 15 days prior to the time such information is furnished.

SECTION 3.7 Reports by the Issuer. (a) If the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, then the Issuer shall file with the Trustee and provide Securityholders, within 15 days after it files them with the Commission, copies of its annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) that the Issuer is required to file with the Commission pursuant to Section 13 or 15(d) of Exchange Act.

(b) As long as the Issuer is not subject to Section 13 or 15(d) of the Exchange Act, at any time, upon the request of a Holder or any owner of a beneficial interest in a Security, the Issuer shall promptly furnish or cause to be furnished "Rule 144A Information" (as defined herein) to such Holder or beneficial owner or to a prospective purchaser of such Security designated by such Holder or beneficial owner in order to permit compliance by such Holder or beneficial owner with Rule 144A under the Securities Act in connection with the resale of such Security by such Holder or beneficial owner. "Rule 144A Information" shall be such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

(c) In addition to the requirement to furnish Rule 144A Information as provided in subsection (b), the Issuer shall furnish or cause to be furnished to Holders and (upon the request thereof delivered to the Issuer or the Trustee) to holders of an interest in any Global Security (i) annual consolidated comparative financial statements of the Issuer prepared in accordance with GAAP (together with notes thereto, a report thereon by an independent accountant of established national reputation and a management's discussion and analysis of financial condition and results of operations), such statements to be so furnished as soon as reasonably available and in any event within 120 days after the end of the fiscal year covered thereby and (ii) unaudited condensed consolidated comparative balance sheets and statements of income and cash flows of the Issuer for each of the first three fiscal quarters of each fiscal year and the corresponding quarter and year-to-date period of the prior year prepared on a basis consistent with the annual financial statements furnished pursuant to clause (c)(i), such statements to be so furnished within 60 days after the end of each such quarter.

SECTION 3.8 Limitation on Liens. So long as any of the Securities are Outstanding, the Issuer shall not pledge, mortgage or hypothecate, or permit to exist, any mortgage, pledge or other lien upon any property at any time directly owned by the Issuer to secure any indebtedness for money borrowed that is incurred, issued, assumed or guaranteed by the Issuer ("Indebtedness"), without making effective provisions whereby the Securities shall be equally and ratably secured with any and all such Indebtedness and with any other Indebtedness similarly entitled to be equally and ratably secured; provided, however, that this restriction shall not apply to or prevent the creation or existence of (i) liens existing at the Original Issuance Date of the Securities, (ii) purchase money liens that do not exceed the cost or value of the purchased property, (iii) other liens not to exceed 10% of Consolidated Net Tangible Assets, and (iv) liens granted in connection with extending, renewing, replacing or refinancing, in whole or in part,

the Indebtedness (including, without limitation, increasing the principal amount of such Indebtedness) secured by liens described in the foregoing

clauses (i) through (iii).

In the event that the Issuer shall propose to pledge, mortgage or hypothecate any property at any time directly owned by it to secure any Indebtedness, other than as permitted by clauses (i) through (iv) of the previous paragraph, the Issuer shall (prior thereto) give written notice thereof to the Trustee, who shall give notice to the Holders, and the Issuer shall, prior to or simultaneously with such pledge, mortgage or hypothecation, effectively secure all the Securities equally and ratably with such Indebtedness.

SECTION 3.9 Net Worth. So long as any of the Securities are Outstanding, the Issuer shall not permit its Consolidated Tangible Net Worth at any time to be less than the Minimum Consolidated Tangible Net Worth.

SECTION 3.10 Repurchase of Securities Upon a Change of Control. (a) Upon a Change of Control, each Holder of the Securities shall have the right to require that the Issuer repurchase such Holder's Securities at a repurchase price in cash equal to 101% of the principal amount thereof plus accrued interest, if any, to the date of repurchase, in accordance with the terms set forth in subsection (b) below.

(b) Within 30 days following any Change of Control, the Issuer shall mail a notice to each Holder (with a copy to the Trustee) stating:

(1) that a Change of Control has occurred and that such Holder has the right to require the Issuer to repurchase such Holder's Securities at a repurchase price in cash equal to 101% of the principal amount thereof plus accrued interest, if any, to the date of repurchase (the "Change of Control Offer");

(2) the circumstances and relevant facts regarding such Change of Control (including information with respect to pro forma historical income, cash flow and capitalization of the Issuer after giving effect to such Change of Control);

(3) the repurchase date (which shall be a Business Day and be not earlier than 30 days or later than 60 days from the date such notice is mailed) (the "Repurchase Date");

(4) that any Security not tendered for purchase will continue to accrue interest;

(5) that interest on any Security accepted for payment pursuant to the Change of Control Offer shall cease to accrue after the repurchase of such Security on the Repurchase Date;

(6) that Holders electing to have a Security purchased pursuant to a Change of Control Offer will be required to surrender the Security, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Security completed, to the paying agent at the address specified in the notice prior to the close of business on the Business Day prior to the Repurchase Date;

(7) that Holders will be entitled to withdraw their election if the paying agent receives, not later than the close of business on the third Business Day (or such shorter periods as may be required by applicable law) preceding the Repurchase Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Securities the Holder delivered for

purchase, and a statement that such Holder is withdrawing its election to have such Securities purchased; and

(8) that Holders that elect to have their Securities purchased only in part will be issued new Securities in a principal amount equal to then unpurchased portion of the Securities surrendered.

(c) Notwithstanding the foregoing, for so long as the Securities are in the form of Global Securities, the Issuer shall deliver to the U.S. Depositary within the time periods specified above, for retransmittal to its Agent Members, a notice substantially to the effect specified in clauses (1) through (5) and (7) above, which notice shall also specify the required procedures (furnished by the U.S. Depositary) for holders of interests in the Global Securities to tender and receive payment of the purchase price for such interests (including the U.S. Depositary's "Repayment Option Procedures," to the extent applicable), all in accordance with the U.S. Depositary's rules, regulations and practices.

(d) On the Repurchase Date, the Issuer shall (i) accept for payment Securities or portions thereof tendered pursuant to the Change of Control Offer, (ii) deposit with the Trustee money sufficient without reinvestment to pay the purchase price of all Securities or portions thereof so tendered and (iii) deliver or cause to be delivered to the Trustee Securities so accepted together with an Officers' Certificate identifying the Securities or portions thereof tendered to the Issuer. The Trustee shall promptly mail to the Holders of the Securities so accepted payment in an amount equal to the purchase price, and promptly authenticate and mail to such Holders a new Security in a principal amount equal to any unpurchased portion of the Security surrendered. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Repurchase Date.

(e) The Issuer shall comply with Rule 14e-1 under the Exchange Act and any other applicable laws and regulations in the event that a Change of Control occurs and the Issuer is required to make a Change of Control Offer.

ARTICLE IV

REMEDIES OF THE TRUSTEE AND SECURITYHOLDERS ON EVENT OF DEFAULT

SECTION 4.1 Event of Default Defined; Acceleration of Maturity; Waiver of Default. In case one or more of the following Events of Default (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) shall have occurred and be continuing, that is to say:

(a) default in the payment of all or any part of the principal or Change of Control purchase price of, or premium, if any, on, any of the Securities as and when the same shall become due and payable either at maturity, upon any redemption or required repurchase, by declaration of acceleration or otherwise;

(b) default in the payment of any installment of interest upon any of the Securities as and when the same shall become due and payable, and continuance of such default for a period of 30 days;

(c) an event of default, as defined in any instrument of the Issuer under which there may be issued, or by which there may be secured or evidenced, any Indebtedness of the Issuer that has resulted in the acceleration of such Indebtedness, or any default occurring in payment of any such Indebtedness at final maturity (and after the expiration of any applicable grace periods), other than such Indebtedness (i) which is payable solely out of the property or assets of a partnership, joint venture or similar entity of which the Issuer is a participant, or which is secured by a lien on the property or assets owned or held by such entity, without further recourse to or liability of the Issuer, or (ii) the principal of, and interest on, which, when added to the principal of and interest on all other such Indebtedness (exclusive of Indebtedness under clause (i) above), does not exceed $20,000,000; or

(d) failure on the part of the Issuer duly to observe or perform any other of the covenants or agreements on the part of the Issuer in the Securities or in this Indenture and such failure continues for a period of 30 days after the date on which written notice specifying such failure, stating that such notice is a "Notice of Default" hereunder and demanding that the Issuer remedy the same, shall have been given by registered or certified mail, return receipt requested, to the Issuer by the Trustee, or to the Issuer and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities at the time Outstanding; or

(e) one or more final judgments, decrees or orders of any court, tribunal, arbitrator, administrative or other governmental body or similar entity for the payment of money shall be rendered against the Issuer or any of its properties in an aggregate amount in excess of $20,000,000 (excluding the amount thereof covered by insurance) and such judgment, decree or order shall remain unvacated, undischarged and unstayed for more than 90 consecutive days, except while being contested in good faith by appropriate proceedings; or

(f) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Issuer in an involuntary case or proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or a decree or order adjudging the Issuer a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment, or composition of or in respect of the Issuer under any applicable federal or state law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of its property or ordering the winding up or liquidation

of its affairs, shall have been entered, and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days; or

(g) the Issuer shall commence a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or consent to the entry of a decree or order for relief in an involuntary case or proceeding under any such law, or to the commencement of any bankruptcy or insolvency case or proceeding against the Issuer, or the filing by the Issuer of a petition or answer or consent seeking reorganization or relief under any such applicable federal or state law, or the consent by the Issuer to the

filing of such petition or to the appointment of or the taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Issuer or of any substantial part of its property, or the making by the Issuer of an assignment for the benefit of creditors, or the taking of action by the Issuer in furtherance of any such action;

then and in each and every such case (other than an Event of Default with respect to the Issuer specified in Section 4.1(f) or 4.1(g) hereof), unless the principal of all of the Securities shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Securities then Outstanding hereunder, by notice in writing to the Issuer (and to the Trustee if given by Securityholders), may declare the entire principal of all the Securities and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. This provision, however, is subject to the condition that if, at any time after the principal of the Securities shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all the Securities and the principal or Change of Control purchase price and premium, if any, of any and all Securities that shall have become due otherwise than by acceleration (with interest upon such principal and Change of Control purchase price and premium, if any, and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the rate of interest specified in the Securities, to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and all other reasonable expenses and liabilities incurred and all reasonable advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith, and if any and all Events of Default under the Indenture, other than the non-payment of the principal that shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then and in every such case the Holders of a majority in aggregate principal amount of the Securities then Outstanding, by written notice to the Issuer and to the Trustee, may waive all defaults (except, unless theretofore cured, a default in payment of principal of, or Change of Control purchase price or premium, if any, or interest on, the Securities) and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

If an Event of Default specified in Section 4.1(f) or 4.1(g) hereof occurs with respect to the Issuer, the principal of and accrued interest on the Securities shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Securityholder.

SECTION 4.2 Collection of Indebtedness by Trustee; Trustee May Prove Debt. The Issuer covenants that (a) in case default shall be made in the payment of any installment of interest on any of the Securities when such interest shall have become due and payable, and such default shall have continued for a period of 30 days or (b) in case default shall be made in the payment of all or any part of the principal or Change of Control purchase price of, or premium, if any, on, any of the Securities when the same shall have become due and payable, whether upon maturity or upon any redemption or by declaration of acceleration or otherwise, then upon demand of the Trustee, the Issuer shall pay to the Trustee for the benefit of the Holders of the Securities the whole amount that then shall have become due and payable on all

such Securities of principal, Change of Control purchase price, premium or interest, as the case may be (with interest to the date of such payment upon the overdue principal, Change of Control purchase price or premium and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest at the rate of interest specified in the Securities); and in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and any reasonable expenses and liabilities incurred, and all reasonable advances made, by the Trustee and each predecessor Trustee except as a result of its negligence or bad faith.

Until such demand is made by the Trustee, the Issuer may pay the principal and Change of Control purchase price of and premium and interest on the Securities to the registered Holders, whether or not the Securities be overdue.

In case the Issuer shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Issuer or other obligor upon the Securities and collect in the manner provided by law out of the property of the Issuer or other obligor upon the Securities, wherever situated, the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings relative to the Issuer or any other obligor upon the Securities under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, custodian, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor, or in case of any other comparable judicial proceedings relative to the Issuer or other obligor upon the Securities, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 4.2, shall be entitled and empowered, by intervention in such proceedings or otherwise:

(a) to file and prove a claim or claims for the whole amount of principal, Change of Control purchase price, premium and interest owing and unpaid in respect of the Securities, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all reasonable expenses and liabilities incurred, and all reasonable advances made, by the Trustee and each predecessor Trustee, except as a result of negligence or bad faith) and of the Securityholders, allowed in any judicial proceedings relative to the Issuer or other obligor upon the Securities, or to the creditors or property of the Issuer or such other obligor,

(b) unless prohibited by applicable law and regulations, to vote on behalf of the Holders of the Securities in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency proceedings or person performing similar functions in comparable proceedings, and

(c) to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Securityholders and of the Trustee on their behalf; and any trustee, receiver, or liquidator, custodian or other similar official is hereby authorized by each of the Securityholders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to the Securityholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other reasonable expenses and liabilities incurred, and all reasonable advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Securityholders any plan or reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar person.

All rights of action and of asserting claims under this Indenture, or under any of the Securities, may be enforced by the Trustee without the possession of any of the Securities or the production thereof at any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Trustee, each predecessor Trustee and their respective agents and attorneys, shall be for the ratable benefit of the Holders of the Securities.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders of the Securities, and it shall not be necessary to make any Holders of the Securities parties to any such proceedings.

SECTION 4.3 Application of Proceeds. Any moneys collected by the Trustee pursuant to this Article shall be applied in the following order at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal or interest, upon presentation of the several Securities and stamping (or otherwise noting) thereon the payment, or issuing Securities in reduced principal amounts in exchange for the presented Securities if only partially paid, or upon surrender thereof if fully paid:

FIRST: To the payment of costs and expenses, including reasonable compensation to the Trustee and each predecessor Trustee and their respective agents and attorneys and of all reasonable expenses and liabilities incurred, and all reasonable advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith and all other amounts due under Section 5.6 hereof;

SECOND: In case the principal and the Change of Control purchase price and premium, if any, of the Securities shall not have become and be then due and payable, to the payment of interest in default in the order of the maturity of the installments of such interest, with interest (to the extent that such interest has been

collected by the Trustee) upon the overdue installments of interest at the rate of interest specified in the Securities, such payments to be made ratably to the persons entitled thereto, without discrimination or preference;

THIRD: In case the principal or the Change of Control purchase price of the Securities shall have become and shall be then due and payable, to the payment of the whole amount then owing and unpaid upon all the Securities for principal, Change of Control purchase price, premium, and interest, with interest upon the overdue principal, Change of Control purchase price, premium, if any, and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest at the rate of interest specified in the Securities; and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Securities, then to the payment of such principal, Change of Control purchase price, premium and interest, without preference or priority of principal, Change of Control purchase price or premium over interest, or of interest over principal or Change of Control purchase price or premium, or of any installment of interest over any other installment of interest, or of any Security over any other Security, ratably to the aggregate of such principal and accrued and unpaid interest; and

FOURTH: To the payment of the remainder, if any, to the Issuer or any other Person lawfully entitled thereto.

The Trustee may fix a record date and payment date for any payment to Securityholders pursuant to this Section 4.3.

SECTION 4.4 Suits for Enforcement. In case an Event of Default has occurred, has not been waived and is continuing, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement

of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 4.5 Restoration of Rights on Abandonment of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Issuer and the Trustee shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Issuer, the Trustee and the Securityholders shall continue as though no such proceedings had been taken.

SECTION 4.6 Limitations of Suits by Securityholders. No Holder of any Security shall have any right by virtue or by availing of any provision of this Indenture to institute any action or proceeding at law or in equity or in bankruptcy or otherwise upon or under or with respect to this Indenture, or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless also the Holders of not less than 25% in aggregate principal amount of the Securities then Outstanding shall have made written request upon the Trustee to institute such action or proceedings in its own name as trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may

require against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee for 30 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceedings and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 4.8 hereof; it being understood and intended, and being expressly covenanted by the taker and Holder of every Security with every other taker and Holder and the Trustee, that no one or more Holders of Securities shall have any right in any manner whatever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other Holder of Securities, or to obtain or seek to obtain priority over or preference to any other such Holder or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Securities. For the protection and enforcement of the provisions of this Section 4.6 each and every Securityholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

SECTION 4.7 Powers and Remedies Cumulative; Delay or Omission Not Waiver of Default. Except as provided in Section 2.7 hereof, no right or remedy herein conferred upon or reserved to the Trustee or to the Securityholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No delay or omission of the Trustee or of any Holder of any of the Securities to exercise as aforesaid any such right or power accruing upon any Event of Default occurring and

continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and, subject to Section 4.6 hereof, every power and remedy given by this Indenture or by law to the Trustee or to the Securityholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Securityholders.

SECTION 4.8 Control by Securityholders. The Holders of a majority in aggregate principal amount of the Securities at the time Outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee by this Indenture; provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture; and provided further that (subject to the provisions of Section 5.1 hereof) the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, shall determine that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors, the executive committee, or a trust committee of directors or Responsible Officers of the Trustee shall determine that the action or proceedings so directed would involve the Trustee in personal liability or if the Trustee in good faith shall so determine that the actions or forbearances specified in or pursuant to such direction shall be unduly prejudicial to the interests of Holders of the Securities not joining in the giving of said direction, it being understood that (subject to Section 5.1 hereof) the Trustee shall have no duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Holders.

Nothing in this Indenture shall impair the right of the Trustee in its discretion to take any action deemed proper by the Trustee and

which is not inconsistent with such direction by Securityholders.

SECTION 4.9 Waiver of Past Defaults. Prior to the declaration of the maturity of the Securities as provided in Section 4.1 hereof, the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding may on behalf of the Holders of all the Securities waive any past default or Event of Default hereunder and its consequences, except a default (a) in the payment of principal or Change of Control purchase price of, premium, if any, or interest on any of the Securities or (b) in respect of a covenant or provision hereof that cannot be modified or amended without the consent of the Holder of each Security affected. If a default shall occur hereunder by reason of the Issuer's failure to comply with Section 3.9 hereof and the Issuer shall cease to be in breach of such Section prior to the time that such default constitutes an Event of Default, such default and its consequences shall be deemed waived by the Holders without any further action required on the part of the Trustee or the Holders. In the case of any such waiver, the Issuer, the Trustee and the Holders of the Securities shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Upon any such waiver, such default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured, and not to have occurred for every purpose of this Indenture; but

no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 4.10 Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture (including, without limitation, Section 4.6 hereof), the right of any Holder to receive, and to institute suit to enforce, payment of the principal and Change of Control purchase price of, and premium, if any, and interest on the Securities on or after the respective due dates expressed in such Securities (including upon redemption and acceleration of the maturity of the principal of and premium, if any, and interest on the Securities), shall not be affected or impaired, and shall be absolute and unconditional.

ARTICLE V

CONCERNING THE TRUSTEE

SECTION 5.1 Duties and Responsibilities of the Trustee; During Default; Prior to Default. The Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default that may have occurred, undertakes to perform only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that

(a) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such statements, certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in principal amount of the Securities at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there shall be reasonable ground for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.

SECTION 5.2 Certain Rights of the Trustee. Subject to Section 5.1 hereof:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, Officers' Certificate or any other certificate (including, without limitation, any certificate provided to the Trustee pursuant to Section 3.5 hereof), statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Issuer mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed) and any resolution of the Board of Directors may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Issuer;

(c) the Trustee may consult with counsel and any advice or Opinion of Counsel shall be full and complete authorization and

protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Indenture at the request, order or direction of any of the Securityholders pursuant to the provisions of this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred therein or thereby;

(e) the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document unless requested in writing so to do by the Holders of not less than a majority in aggregate principal amount of the Securities then Outstanding; provided that, if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to proceeding; the reasonable expenses of every such examination shall be paid by the Issuer, or by the Trustee or any predecessor Trustee and repaid by the Issuer upon demand; and

(g) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney.

SECTION 5.3 Trustee Not Responsible for Recitals, Disposition of Securities or Application of Proceeds Thereof. The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Issuer of any of the Securities or of the proceeds thereof.

SECTION 5.4 Trustee and Agents May Hold Securities; Collections, etc. The Trustee or any agent of the Issuer or the Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities with the same rights it would have if it were not the Trustee or such agent and may otherwise deal with the Issuer and receive, collect, hold and retain collections from the Issuer with the same rights it would have if it were not the Trustee or such agent.

SECTION 5.5 Moneys Held by Trustee. Subject to the provisions of Section 9.4 hereof, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by mandatory provisions of law. Neither the Trustee nor any agent of the Issuer or the Trustee shall be under any liability for interest on any moneys received by it hereunder, except as the Issuer and the Trustee otherwise may agree.

SECTION 5.6 Compensation and Indemnification of Trustee and Its Prior Claim. The Issuer covenants and agrees to pay to the Trustee from time to time as shall be agreed upon between the Issuer and the Trustee in writing from time to time, and the Trustee shall be entitled

to, reasonable compensation (which shall not be limited by any provision of law relating to the compensation of a trustee of an express trust), and the Issuer covenants and agrees to pay or reimburse the Trustee and each predecessor Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by or on behalf of it in accordance with any of the provisions of this Indenture (including the reasonable compensation and expenses and disbursements of its counsel and of all agents and other persons not regularly in its employ), except to the extent any such expense, disbursement or advance may arise from the Trustee's negligence or bad faith. The Issuer also covenants to indemnify the Trustee and each predecessor Trustee for, and to hold it harmless against, any and all loss, liability, damage, claims or expense arising out of or in connection with the acceptance or administration of this Indenture or the trusts hereunder and its duties hereunder and the performance of its duties hereunder, including the costs and expenses of defending and investigating any claim of liability in the premises, except to the extent any such loss, liability or expense is due to its own negligence or bad faith. The obligations of the Issuer under this Section 5.6 to compensate and indemnify the Trustee and each predecessor Trustee and to pay or reimburse the Trustee and each predecessor Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture.

SECTION 5.7 Right of Trustee to Rely on Officers' Certificate, etc. Subject to Section 5.1 and Section 5.2 hereof, whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee.

SECTION 5.8 Persons Eligible for Appointment as Trustee. The Trustee hereunder shall at all times be a corporation organized and doing business under the laws of the United States or of a state thereof, having a combined capital and surplus of at least $500,000,000, and which is authorized under such laws to exercise corporate trust powers and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of a federal, state or District of Columbia supervising or examining authority, then for the purposes of this Section 5.8, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. No obligor on the Securities or Person directly or indirectly controlling, controlled by or under common control with such obligor shall serve as Trustee.

SECTION 5.9 Resignation and Removal; Appointment of Successor Trustee. (a) The Trustee may at any time resign by giving written notice of resignation to the Issuer and by mailing notice thereof by first-class mail to Holders of Securities at their last addresses as they shall appear on the Securities Register. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor trustee by written instrument in duplicate, executed by authority of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the

appointment of a successor trustee, or any Securityholder who has been a bona fide Holder of a Security or Securities for at least six months may, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall fail to comply with the provisions of Section 310(b) of the Trust Indenture Act, after written request therefor by the Issuer or by any Securityholder who has been a bona fide Holder of a Security or Securities for at least six months;

(ii) the Trustee shall cease to be eligible in accordance with the provisions of Section 5.8 hereof and shall fail to resign after written request therefor by the Issuer or by any such Securityholder; or

(iii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver or liquidator of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, the Issuer may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors of the Issuer, one copy of which instrument shall be delivered to the Trustee so removed and one copy of which shall be delivered to the successor trustee, or, any Securityholder who has been a bona fide Holder of a Security or Securities for at least six months may on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Holders of a majority in aggregate principal amount of the Securities at the time Outstanding may at any time remove the Trustee and appoint a successor trustee by delivering to the Trustee so removed, to the successor trustee so appointed and to the Issuer the evidence provided for in Section 6.1 hereof of the action in that regard taken by the Securityholders.

(d) Any resignation or removal of the Trustee and any appointment of a successor trustee pursuant to any of the provisions of this Section 5.9 shall become effective only upon acceptance of appointment by the successor trustee as provided in Section 5.10 hereof.

SECTION 5.10 Acceptance of Appointment by Successor Trustee. Any successor trustee appointed as provided in Section 5.9 hereof shall execute and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as trustee herein; but, nevertheless, on the written request of the Issuer or of

the successor trustee, upon payment of its charges then unpaid, the Trustee ceasing to act shall, subject to Section 9.4 hereof, pay over to the successor trustee all moneys at the time held by it hereunder and shall execute and deliver an instrument transferring to such successor trustee all such rights, powers, duties and obligations. Upon request of any such successor trustee, the Issuer shall execute appropriate instruments in writing for more fully and certainly vesting in and confirming to such successor such rights and powers. Any Trustee ceasing to act shall, nevertheless, retain a prior claim upon all property or funds held or collected by such Trustee to secure any amounts then due it pursuant to the provisions of Section 5.6 hereof.

Upon acceptance of appointment by a successor trustee as provided in this Section 5.10, the Issuer shall mail notice thereof by first-class mail to the Holders of Securities at their last addresses as they shall appear in the Securities Register. If the acceptance of appointment is substantially contemporaneous with the resignation then the notice called for by the preceding sentence may be combined with the notice called for by Section 5.9 hereof. If the Issuer fails to mail such notice within 10 days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Issuer.

Notwithstanding replacement of the Trustee pursuant to this Section 5.10, the Issuer's obligations under Section 5.6 hereof shall continue for the benefit of the retiring Trustee.

SECTION 5.11 Merger, Conversion, Consolidation or Succession to Business of Trustee. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided that such corporation shall be eligible under the provisions of Section 5.8 hereof, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee and deliver such Securities so authenticated; and, in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor trustee, and in such cases such certificate shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have; provided, that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Securities in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

ARTICLE VI

CONCERNING THE SECURITYHOLDERS

SECTION 6.1 Evidence of Action Taken by Securityholders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders, in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee. Proof of execution of any instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 5.1 and Section 5.2 hereof) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Article.

SECTION 6.2 Proof of Execution of Instruments and of Holding of Securities Record Date. Subject to Section 5.1 and Section 5.2 hereof, the execution of any instrument by a Securityholder or his agent or proxy may be provided in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Securities shall be proved by the Securities Register or by a certificate of the Security Registrar thereof. The Issuer may set a record date for purposes of determining the identity of Holders of Securities entitled to vote or consent to any action referred to in Section 6.1 hereof, which record date may be set at any time or from time to time by notice to the Trustee, for any date or dates (in the case of any adjournment or resolicitation) not more than 60 days nor less than five days prior to the proposed date of such vote or consent, and thereafter, notwithstanding any other provisions hereof, only Holders of Securities of record on such record date shall be entitled to so vote or give such consent or to withdraw such vote or consent.

SECTION 6.3 Holders to Be Treated as Owners. The Issuer, the Trustee and any agent of the Issuer or the Trustee may deem and treat the Person in whose name any Security shall be registered upon the Securities Register as the absolute owner of such Security (whether or not such Security shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal and Change of Control purchase price of, and premium, if any, on and, subject to the provisions of this Indenture, interest on such Security and for all other purposes; and neither the Issuer nor the Trustee nor any agent of the Issuer or the Trustee shall be affected by any notice to the contrary. All such payments so made to any such Person, or upon his order, shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Security.

SECTION 6.4 Securities Owned by Issuer Deemed Not Outstanding. In determining whether the Holders of the requisite aggregate principal amount of Securities have concurred in any direction, consent or waiver under this Indenture, Securities that are owned by the Issuer or any other obligor on the Securities or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the obligor on the Securities shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that for the purpose of determining whether the Trustee shall be protected

in relying on any such direction, consent or waiver only Securities that the Trustee knows are so owned shall be so disregarded. Securities so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Issuer or any other obligor upon the Securities or any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer or any other obligor on the Securities. In case of a dispute as to such right, the advice of counsel shall be full protection in respect of any decision made by the Trustee in accordance with such advice. Upon request of the Trustee, the Issuer shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Securities, if any, known by the Issuer to be owned or held by or for the account of any of the above-described Persons; and, subject to Section 5.1 and Section 5.2 hereof, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not listed therein are Outstanding for the purpose of any such determination.

SECTION 6.5 Right of Revocation of Action Taken. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 6.1 hereof, of the taking of any action by the Holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action, any Holder of a Security the serial number of which is shown by the evidence to be included among the serial numbers of the Securities the Holders of which have consented to such action may, by filing written notice at the Corporate Trust Office and upon proof of holding as provided in this Article, revoke such action so far as concerns such Security. Except as aforesaid any such action taken by the Holder of any Security shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Security and of any Securities issued in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon any such Security. Any action taken by the Holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action shall be conclusively binding upon the Issuer, the Trustee and the Holders of all such Securities.

ARTICLE VII

SUPPLEMENTAL INDENTURES

SECTION 7.1 Supplemental Indentures Without Consent of Securityholders. The Issuer, when authorized by a resolution of its Board of Directors, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Securities any property or assets;

(b) to evidence the succession of another corporation to the Issuer, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Issuer pursuant to Article Eight hereof;

(c) to add to the covenants of the Issuer such further covenants, restrictions, conditions or provisions as its Board of Directors shall consider to be for the protection of the Holders of

Securities, and to make the occurrence, or the occurrence and continuance of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided, that in respect of any such additional covenant, restriction, condition or provision such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for immediate enforcement upon such an Event of Default or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the Holders of a majority in aggregate principal amount of the Securities to waive such an Event of Default;

(d) to cure any ambiguity or to cure, correct or supplement any defective provision contained herein or in the Securities, or to make such other provisions in regard to matters or questions arising under this Indenture or under any supplemental indenture as the Board of Directors may deem necessary or desirable, and in any case which the Trustee and the Issuer shall determine (i) are not inconsistent with this Indenture and the Securities and (ii) shall not adversely affect the interests of the Holders of the Securities; and

(e) to modify or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification thereof under the Trust Indenture Act or any other similar federal statute hereafter in effect.

The Trustee is hereby authorized to join in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations that may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 7.1 may be executed without the consent of the Holders of any of the Securities at the time Outstanding, notwithstanding any of the provisions of Section 7.2 hereof.

SECTION 7.2 Supplemental Indentures With Consent of Securityholders. With the consent (evidenced as provided in Article Six hereof) of the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding, the Issuer, when authorized by a resolution of its Board of Directors, and the Trustee may, from time to time and at any time, modify this Indenture or any indentures supplemental hereto or the rights of the Holders of the Securities; provided, that no such supplemental indenture shall (a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable on redemption thereof or upon a Change of Control or impair or affect the right of any Securityholder to institute suit for the payment thereof or make any change to Section 3.10 hereof that adversely affects the rights of

the Holders of the Securities, in each case without the consent of the Holder of each Security so affected, or (b) without the consent of the Holders of all Securities then Outstanding, (i) reduce the aforesaid percentage of Securities, the consent of the Holders of which is required for any such modification, or the percentage of Securities, the consent of the Holders of which is required for any waiver provided for in this Indenture, (ii) change

any obligation of the Issuer to maintain an office or agency in the places and for the purposes specified in Section 3.2 or (iii) make any change in Section 4.9 or this Section 7.2, except to increase any percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holders of each Outstanding Security affected thereby.

Upon the request of the Issuer, accompanied by a copy of a resolution of the Board of Directors certified by the Secretary or an Assistant Secretary of the Issuer authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Securityholders and other documents, if any, required by Section 6.1 hereof the Trustee shall join with the Issuer in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Securityholders under this Section 7.2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Issuer and the Trustee of any supplemental indenture pursuant to the provisions of this Section 7.2, the Issuer shall mail a notice thereof by first-class mail to the Holders of Securities at their addresses as they shall appear on the Securities Register, setting forth in general terms the substance of such supplemental indenture. Any failure of the Issuer to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 7.3 Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Issuer and the Holders of Securities shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 7.4 Documents to Be Given to Trustee. The Trustee, subject to the provisions of Section 5.1 and Section 5.2 hereof, may receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any such supplemental indenture complies with the applicable provisions of this Indenture.

SECTION 7.5 Notation of Securities in Respect of Supplemental Indentures. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article Seven may bear a notation in form approved by the Trustee as

to any matter provided for by such supplemental indenture or as to any action taken at any such meeting. If the Issuer or the Trustee shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Issuer, authenticated by the Trustee and delivered in exchange for the Securities then Outstanding.

ARTICLE VIII

CONSOLIDATION, MERGER, SALE OR CONVEYANCE

SECTION 8.1 Covenant Not to Merge, Consolidate, Sell or Transfer Assets Except Under Certain Conditions. (a) The Issuer shall not consolidate with or merge into any other Person, or sell, convey, transfer or lease its properties and assets substantially as an entirety to any Person, and the Issuer shall not permit any Person to consolidate with or merge into the Issuer, unless: (i) immediately prior to and immediately following such consolidation, merger, sale or lease, no Event of Default shall have occurred and be continuing and (ii) the Issuer is the surviving or continuing corporation, or the surviving or continuing corporation or corporation that acquires by sale, conveyance, transfer or lease is incorporated in the United States of America or Canada and expressly assumes the payment and performance of all obligations of the Issuer under the Indenture and the Securities.

(b) Except for the sale of the properties and assets of the Issuer substantially as an entirety pursuant to subsection (a) above, and other than assets required to be sold to conform with governmental regulations, the Issuer shall not sell or otherwise dispose of any assets (other than short-term, readily marketable investments purchased for cash management purposes with funds not representing the proceeds of other asset sales) if on a pro forma basis, the aggregate net book value of all such sales during the most recent 12-month period would exceed 10 percent of Consolidated Net Tangible Assets computed as of the end of the most recent fiscal quarter preceding such sale; provided, however, that any such sales shall be disregarded for purposes of this 10 percent limitation if the proceeds are invested in assets in similar or related lines of business of the Issuer and, provided further, that the Issuer may sell or otherwise dispose of assets in excess of such 10 percent if the proceeds from such sales or dispositions, which are not reinvested as provided above, are retained by the Issuer as cash or cash equivalents or are used by the Issuer to purchase Securities which are then delivered to the Trustee for cancellation.

SECTION 8.2 Successor Corporation Substituted. In case of any such consolidation, merger, sale or transfer, and following such an assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Issuer, with the same effect as if it had been named herein.

Such successor corporation may cause to be signed, and may issue either in its own name or in the name of the Issuer prior to such succession any or all of the Securities issuable hereunder that theretofore shall not have been signed by the Issuer and delivered to the Trustee; and, upon the order of such successor corporation, instead of the Issuer, and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities that previously shall have been signed and delivered

by the officers of the Issuer to the Trustee for authentication and any Securities that such successor corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose. All of the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale or transfer such changes in phraseology and form (but not in substance) may be made in the Securities thereafter to be issued as may be appropriate.

In the event of any such sale or transfer (other than a transfer by way of lease) the Issuer or any successor corporation which shall theretofore have become such in the manner described in this Article 8 shall be discharged from all obligations and covenants under this Indenture and the Securities and may be liquidated and dissolved.

SECTION 8.3 Opinion of Counsel to Trustee; Officers' Certificate. The Trustee, subject to the provisions of Section 5.1 and Section 5.2 hereof, shall receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale or transfer, and any such assumption, and any such liquidation or dissolution, complies with the applicable provisions of this Indenture.

ARTICLE IX

SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS

SECTION 9.1 Satisfaction and Discharge of Indenture. If at any time (a) the Issuer shall have paid or caused to be paid the principal and Change of Control purchase price of and premium, if any, and interest on all the Securities Outstanding hereunder, as and when the same shall have become due and payable, or (b) the Issuer shall have delivered to the Trustee for cancellation all Securities theretofore authenticated (other than any Securities which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.7 hereof) or (c)(i) all such Securities not theretofore delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption under arrangements satisfactory to the Trustee for the giving of notice of redemption, and (ii) the Issuer shall have irrevocably deposited or caused to be deposited with the Trustee as trust funds the entire amount in cash (other than moneys repaid by the Trustee or any paying agent to the Issuer in accordance with Section 9.4 hereof) or U.S. Government Obligations, maturing as to principal, premium, if any, and interest in such amounts and at such times as will insure (without reinvestment) the availability of cash sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay at maturity all such Securities not theretofore delivered to the Trustee for cancellation, including principal, premium, if any, and interest due or to become due to such date of maturity as the case may be, and if, in any such case, the Issuer shall also pay or cause to be paid all other

sums payable hereunder by the Issuer, then this Indenture shall cease to be of further effect (except as to (i) rights of registration of transfer and exchange, and the Issuer's right to optional redemption, (ii) substitution of apparently mutilated, defaced, destroyed, lost or stolen Securities, (iii) rights of Holders to receive payments of principal thereof (including any Change of Control purchase price previously accrued) and premium, if any, and interest thereon, upon the original stated due dates therefor (but not upon acceleration), (iv) the rights and obligations and immunities of the Trustee hereunder and (v) the rights of the Securityholders as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them), and the Trustee, on demand of the Issuer accompanied by an Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Issuer, shall execute proper instruments acknowledging such satisfaction of and discharging this Indenture, provided that the rights of Holders of the Securities to receive amounts in respect of principal of and premium, if any, and interest on the Securities held by them shall not be delayed longer than required by then-applicable mandatory rules or policies of any securities exchange upon which the Securities are listed.

The Issuer agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred and to compensate the Trustee for any services thereafter reasonably and properly rendered by the Trustee in connection with this Indenture or the Securities.

SECTION 9.2 Application by Trustee of Funds Deposited for Payment of Securities. Subject to Section 9.4 hereof, all moneys deposited with the Trustee pursuant to Section 9.1 hereof shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Issuer acting as its own paying agent), to the Holders of the particular Securities for the payment or redemption of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal and Change of Control purchase price, premium, if any, and interest; but such money need not be segregated from other funds except to the extent required by law.

SECTION 9.3 Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture all moneys then held by any paying agent under the provisions of this Indenture shall, upon demand of the Issuer, be repaid to it or paid to the Trustee and thereupon such paying agent shall be released from all further liability with respect to such moneys.

SECTION 9.4 Return of Moneys Held by Trustee and Paying Agent Unclaimed for Two Years. Any moneys deposited with or paid to the Trustee or any paying agent for the payment of the principal or Change of Control purchase price of, or premium or interest on any Security and not applied but remaining unclaimed for two years after the date upon which such principal, Change of Control purchase price, premium or interest shall have become due and payable shall, upon the written request of the Issuer, be repaid to the Issuer by the Trustee or such paying agent, and the Holder of such Security shall, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, thereafter look only to the Issuer for any payment which such Holder may be entitled to collect, and all liability of the Trustee or any paying agent with respect to such moneys shall thereupon cease.

SECTION 9.5 Defeasance and Discharge of Indenture. The Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Securities, on the 123rd day after the deposit referred to in subparagraph (A) hereof has been made, and the provisions of this Indenture will no longer be in effect with respect to the Securities (and the Trustee, at the expense of the Issuer, shall execute proper instruments acknowledging the same), except as to:

(a) rights of registration of transfer and exchange, and the Issuer's right of optional redemption, (b) substitution of apparently mutilated, defaced, destroyed, lost or stolen securities, (c) rights of Holders to receive payments of principal (including rights to receive any Change of Control purchase price previously accrued) thereof and premium, if any, and interest thereon, (d) the rights, obligations and immunities of the Trustee hereunder, (e) the rights of the Securityholders as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them and (f) the obligations of the Issuer to maintain a place of payment for the Securities under Section 3.1 hereof;

provided that the following conditions shall have been satisfied:

(A) with reference to this Section 9.5 the Issuer

has irrevocably deposited or caused to be irrevocably deposited with the Trustee (or another trustee satisfying the requirements of Section 5.8 hereof) as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of the Securities, (i) money in an amount, or (ii) U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms (without reinvestment) will provide not later than one day before the due date of any payment referred to in clause (x) or (y) of this subparagraph (A) money in an amount, or (iii) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, after payment of all federal, state and local taxes or other charges and assessments in respect thereof payable by the Trustee, (x) the principal and Change of Control purchase price of, premium, if any, and each installment of principal and interest on the Outstanding Securities at the maturity date of such principal or installment of principal or interest and (y) any mandatory sinking fund payments or analogous payments applicable to the Securities on the day on which such payments are due and payable in accordance with the terms of this Indenture and the Securities;

(B) the Issuer has delivered to the Trustee (i) an Opinion of Counsel to the effect that Holders will not recognize income, gain or loss for federal income tax purposes as a result of the Issuer's exercise of its option under this Section 9.5 and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred, which Opinion of Counsel must be based on (x) a change in applicable federal income tax law or related Treasury Regulations after the date of this Indenture or (y) a ruling received by the Issuer

from the Internal Revenue Service to the same effect and (ii) an Opinion of Counsel to the effect that the defeasance trust does not constitute an "investment company" under the Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the U.S. Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

(C) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 123rd day after the date of such deposit, and such deposit shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Issuer is a party or by which the Issuer is bound; and

(D) if at such time the Securities are listed on a national securities exchange, the Issuer has delivered to the Trustee an Opinion of Counsel to the effect that the

Securities will not be delisted as a result of such deposit, defeasance and discharge.

SECTION 9.6 Defeasance of Certain Obligations. The Issuer may omit to comply with any term, provision, or condition set forth in this Indenture in Sections 3.8 through 3.10, and Section 4.1(d) (with respect to Sections 3.8 through 3.10) and Sections 4.1(c) and (e) shall be deemed not to be Events of Default on the 123rd day after the deposit referred to in subparagraph (A) hereof if

(A) with reference to this Section 9.6, the Issuer has irrevocably deposited or caused to be irrevocably deposited with the Trustee (or another trustee satisfying the requirements of Section 5.8 hereof) as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of the Securities, (i) money in an amount, or (ii) U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms (without reinvestment) will provide not later than one day before the due date of any payment referred to in clauses (x) or (y) of this Section 9.6 money in an amount, or (iii) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, after payment of all federal, state and local taxes or other charges and assessments in respect thereof payable by the Trustee, (x) the principal and Change of Control purchase price of, premium, if any, and each installment of principal and interest on the Outstanding Securities at the maturity date of such principal or installment of principal or interest and (y) any mandatory sinking fund payments or analogous payments applicable to the Securities on the day on which such payments are due and payable in accordance with the terms of this Indenture and the Securities;

(B) the Issuer has delivered to the Trustee (i) an Opinion of Counsel to the effect that Holders will not recognize income, gain or loss for federal income tax purposes as a result of the Issuer's exercise of its option under this Section 9.6 and will be subject

to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred, and (ii) an Opinion of Counsel to the effect that the defeasance trust does not constitute an "investment company" under the Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the U.S. Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

(C) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 123rd day after the date of such deposit, and such deposit shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Issuer is a party or by which the Issuer is bound; and

(D) if at such time the Securities are listed on a national securities exchange, the Issuer has delivered to the Trustee an Opinion of Counsel to the effect that the Securities will not be delisted as a result of such deposit, defeasance and discharge.

ARTICLE X

MISCELLANEOUS PROVISIONS

SECTION 10.1 Incorporators, Shareholders, Officers and Directors of Issuer Exempt from Individual Liability. No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in any Security, or because of any indebtedness evidenced thereby, shall be had against any incorporator, as such, or against any past, present or future shareholder, officer or director, as such, of the Issuer or of any successor, either directly or through the Issuer or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Securities by the Holders thereof and as part of the consideration for the issue of the Securities.

SECTION 10.2 Provisions of the Indenture for the Sole Benefit of Parties and Securityholders. Nothing in this Indenture or in the Securities, expressed or implied, shall give or be construed to give to any Person, other than the parties hereto and their successors and the Holders (and, where expressly set forth herein, owners of interests in any Global Security), any legal or equitable right, remedy or claim under this Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and the Holders (and, where expressly set forth herein, owners of interests in any Global Security).

SECTION 10.3 Successors and Assigns of Issuer Bound by Indenture. All the covenants, stipulations, promises and agreements in this Indenture contained by or in behalf of the Issuer shall bind its successors and assigns, whether so expressed or not.

SECTION 10.4 Notices and Demands on Issuer, Trustee and Securityholders. Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders to or on the Issuer may be given or served by being deposited postage prepaid, first-class mail (except as otherwise specifically provided herein) addressed (until another address of the Issuer is filed by the Issuer with the Trustee) to NRG Energy, Inc., 1221 Nicollet Mall, Suite 700, Minneapolis, Minnesota 55403, Attention: Chief Financial Officer. Any notice, direction, request or demand by the Issuer or any Securityholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made at the Corporate Trust Office or such office or agency designated for such purpose in Section 3.2 hereof.

Where this Indenture provides for notice to Holders, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder entitled thereto, at his last address as it appears in the Securities Register. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of or irregularities in regular mail service, it shall be impracticable to mail notice to the Issuer and Securityholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

SECTION 10.5 Officers' Certificates and Opinions of Counsel; Statements to Be Contained Therein. Upon any application or demand by the Issuer to the Trustee to take any action under any of the provisions of this Indenture, the Issuer shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the Person making such certificate or opinion has read such covenant or condition, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (c) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with and (d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

Any certificate, statement or opinion of an officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate, statement or Opinion of Counsel may be based, insofar as it relates to factual matters (information with respect to which is in the possession of the Issuer) upon the certificate, statement or opinion of or representations by an officer or officers of the Issuer, unless such counsel knows that the certificate, statement or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate, statement or opinion of an officer of the Issuer or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Issuer, unless such officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants or Investment Banker filed with the Trustee shall contain a statement that such firm is independent.

SECTION 10.6 Payments Due on Saturdays, Sundays and Holidays. If the date of maturity of interest on or principal, Change of Control purchase price, or premium, if any, of the Securities or the date fixed for redemption of any Security shall not be a Business Day, then payment of interest, principal, Change of Control purchase price or premium need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

SECTION 10.7 New York Law to Govern. THIS INDENTURE SHALL, PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO THE CHOICE OF LAW PROVISIONS THEREOF (OTHER THAN SUCH SECTION 5- 1401).

SECTION 10.8 Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same agreement.

SECTION 10.9 Effect of Headings. The Article and Section Headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

ARTICLE XI

REDEMPTION OF SECURITIES

SECTION 11.1 Right of Optional Redemption Price. The Issuer at its option may, at any time on or after February 1, 2001, redeem the Securities, in whole or in part, upon payment of a redemption price equal to the principal amount of the Securities to be redeemed plus accrued and unpaid interest thereon, if any, plus the Applicable Premium.

SECTION 11.2 Notice of Redemption. Notice of redemption to the Holders of Securities to be redeemed shall be given by the Issuer by mailing notice of such redemption by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to such Holders of Securities at their last addresses as they shall appear in the Securities Register. Failure to give notice by mail, or any defect in the notice to the Holder of any Security designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security.

The notice of redemption to each Holder shall specify that the Securities are being redeemed pursuant to this Article 11, the date fixed for redemption, the place or places of payment, the CUSIP and ISIN numbers (as applicable), that payment will be made upon presentation and surrender of the Securities, that interest accrued to the date fixed for redemption will be paid as specified in this Article and that, on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue.

The notice of redemption of Securities to be redeemed at the option of the Issuer shall be given by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer.

At least one Business Day prior to the redemption date specified in the notice of redemption given as provided in this Section 11.2, the Issuer shall deposit with the Trustee or with one or more paying agents (or, if the Issuer is acting as its own paying agent, set aside, segregate and hold in trust as provided in Section 3.4 hereof) an amount of money sufficient to redeem on the redemption date all the Securities so called for redemption.

SECTION 11.3 Payment of Securities Called for Redemption. If notice of redemption has been given as above provided, the Securities shall become due and payable on the date and at the place stated in such notice at the redemption price, and on and after said date (unless the Issuer shall default in the payment of such Securities at the redemption price) interest on the Securities or portions of Securities so called for redemption shall cease to accrue and, except as provided in Section 5.5 and Section 9.4 hereof, such Securities shall cease from and after the date fixed for redemption to be entitled to any benefit or security under this Indenture, and the Holders thereof shall have no right in respect of such Securities except the right to receive the redemption price thereof. On presentation and surrender of such Securities at a place of payment specified in said notice, said Securities shall be paid and redeemed by the Issuer at the redemption price; provided, that any semi-annual payment of interest becoming due on the date fixed for redemption shall be payable to the Holders of such Securities registered as such on the relevant record date subject to the terms and provisions of Section 2.4 hereof.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid or duly provided for, bear interest from the date fixed for redemption at the rate borne by the Security.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of January 31, 1996.

NRG ENERGY, INC.,
as Issuer

By: /s/LEONARD A. BLUHM

Name: Leonard A. Bluhm
Title: Vice President and CFO

Attest:

By: /s/ LEE R. CARLSON

Name: Lee R. Carlson
Title: Treasurer

NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, as Trustee

By: /s/ RAYMOND S. HAVERSTOCK

Name: Raymond S. Haverstock
Title: Vice President

Attest:

By: /s/ PATRICIA A. FISHER

Name: Patricia A. Fisher
Title: Assistant Secretary

EXHIBIT A

FORM OF SECURITY

[INCLUDE IF SECURITY IS A GLOBAL SECURITY DEPOSITED WITH THE U.S. DEPOSITARY -- UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN EXCHANGE FOR THIS CERTIFICATE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY OR SUCH OTHER REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 2.6 OF THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.]

THE SENIOR NOTE (OR ITS PREDECESSOR) EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ACQUISITION THEREOF, THE HOLDER (1) AGREES THAT IT WILL NOT PRIOR TO THE DATE THAT IS THREE YEARS (OR SUCH SHORTER PERIOD AS IS PRESCRIBED BY PARAGRAPH (k) OF RULE 144 UNDER THE SECURITIES ACT AS THEN IN EFFECT) AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THE SENIOR NOTE EVIDENCED HEREBY AND THE LAST DATE ON WHICH NRG ENERGY, INC. (THE "COMPANY") OR ANY "AFFILIATE" (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY WAS THE OWNER OF THE SENIOR NOTE (THE "RESTRICTION TERMINATION DATE") RESELL OR OTHERWISE TRANSFER THE SENIOR NOTE EVIDENCED HEREBY EXCEPT (A) TO THE COMPANY, (B) TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A, (C) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (E)

PURSUANT TO ANOTHER AVAILABLE EXEMPTION UNDER THE SECURITIES ACT, OR (F) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT; AND (2) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE SENIOR NOTE EVIDENCED HEREBY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IF THE SENIOR NOTE EVIDENCED HEREBY IS ISSUED IN CERTIFICATED FORM, IN CONNECTION WITH ANY TRANSFER OF THE SENIOR NOTE EVIDENCED HEREBY BEFORE THE RESTRICTION TERMINATION DATE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. IN CONNECTION WITH ANY PROPOSED TRANSFER OF THE SENIOR NOTE EVIDENCED HEREBY PURSUANT TO CLAUSE (C), (D) OR (E) ABOVE, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE COMPANY MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND WILL BE REMOVED UPON THE RESTRICTION TERMINATION DATE.

[FORM OF FACE OF SECURITY]

CUSIP [629377AA0][629377AB8][U66962AA6]

[Common Code]
[ISIN][USU66962AA65]

No.

$

NRG ENERGY, INC.
7.625% Senior Notes Due 2006

NRG Energy, Inc. (the "Issuer"), for value received hereby promises to pay to _____ or registered assigns the principal sum of _____ Dollars at the Issuer's office or agency for said purpose initially at the Corporate Trust Office of Norwest Bank Minnesota, National Association (herein called the "Trustee") at Corporate Trust, Norwest Center, Sixth and Marquette, Minneapolis, Minnesota 55479-0069 and at the office or agency of the Issuer for said purpose in the Borough of Manhattan, The City of New York, on February 1, 2006 in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semi-annually in arrears on February 1 and August 1 of each year, commencing August 1, 1996, on said principal sum in like coin or currency at the rate per annum set forth above at said offices or agencies from the most recent interest payment date to which interest on the Securities has been paid or duly provided for, unless the date hereof is a date to which interest on the Securities has been paid or duly provided for, in which case from the date of this Security, or unless no interest has been paid or duly provided for on the Securities, in which case from January 31,

1996, until payment of said principal sum has been made or duly provided for. Notwithstanding the foregoing (unless the date hereof is January 31, 1996), if the date hereof is after January 15th or July 15, as the case may be, and before the following February 1 or August 1, this Security shall bear interest from such February 1 or August 1; provided, that if the Issuer shall default in the payment of interest due on such February 1 or August 1, then this Security shall bear interest from the next preceding February 1 or August 1 to which interest on the Securities has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Securities, from January 31, 1996. The interest so payable on any February 1 or August 1 will, except as otherwise provided in the Indenture referred to on the reverse hereof, be paid to the Person in whose name this Security is registered at the close of

business on the 15th day of January or the 15th day of July preceding such February 1 or August 1, whether or not such day is a Business Day; provided, that principal, premium, if any, and interest shall be paid by mailing a check for such to or upon the written order of the registered Holders of Securities entitled thereto at their last address as it appears on the Securities Register or, upon written application to the Trustee by a Holder of $1,000,000 or more in aggregate principal amount of Securities, by wire transfer of immediately available funds to an account maintained by such Holder with a bank or other financial institution. Interest on this Security shall be computed on the basis of a 360-day year of twelve 30-day months.

Interest on overdue principal and (to the extent permitted by applicable law) on overdue installments of interest (including without limitation during the 30-day period referred to in Section 4.1(b)) shall accrue at the rate per annum set forth above.

Reference is made to the further provisions set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory, until the certificate of authentication hereon shall have been duly signed by the Trustee acting under the Indenture.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed under its corporate seal.

NRG ENERGY, INC.

[Seal]

By: _____
Title:

ATTEST:

_____
Name:
Title:

By: _____
Title:

[FORM OF REVERSE OF SECURITY]

NRG ENERGY, INC.

7.625% Senior Notes Due 2006

This Security is one of a duly authorized issue of debt securities of the Issuer, limited to the aggregate principal amount of $125,000,000 (except as otherwise provided in the Indenture mentioned below), issued or to be issued pursuant to an Indenture dated as of January 31, 1996 (the "Indenture"), duly executed and delivered by the Issuer to the Trustee. Reference is hereby made to the Indenture and all indentures supplemental

thereto for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the Holders (the words "Holders" or "Holder" meaning the registered holders or registered holder) of the Securities. Capitalized terms used herein, but not otherwise defined herein, shall have the meanings assigned to them in the Indenture.

In case an Event of Default shall have occurred and be continuing, the principal of all the Securities may be declared due and payable, in the manner and with the effect, and subject to the conditions, provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be waived by the Holders of a majority in aggregate principal amount of the Securities then Outstanding and that, prior to any such declaration, such Holders may waive any past default under the Indenture and its consequences except a default in the payment of principal of or premium, if any, or interest on any of the Securities. Any such consent or waiver by the Holder of this Security (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Security and any Security which may be issued in exchange or substitution hereof, whether or not any notation thereof is made upon this Security or such other Securities.

The Indenture permits the Issuer and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding, evidenced as in the Indenture provided, to modify the Indenture or any supplemental indentures or the rights of the Holders of the Securities; provided that no such modification shall (a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable on the redemption thereof or impair or affect the rights of any Securityholder to institute suit for the payment thereof or make any change in Section 3.10 of the Indenture (which relates to the obligation of the Issuer to offer to purchase the Securities upon a Change of Control, as described below) which adversely affects the rights of the Holders of the Securities without the consent of the Holder of each Security so affected; (b) reduce the aforesaid percentage of Securities, the consent of the Holders of which is required for any such modification or the percentage of Securities, the consent of Holders of which is required for any waiver provided for in the Indenture; (c) change any obligation of the Issuer to maintain an office or agency for

payment of and transfer and exchange of the Securities; or (d) make certain changes to provisions relating to waiver or to the provision for supplementing the Indenture; in each case without consent of the Holders of all Securities then Outstanding.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Security at the place, times, and rate, and in the currency, herein prescribed.

The Securities are issuable only as registered Securities without coupons in denominations of $100,000 and any integral multiple of $1,000 in excess thereof.

At the office or agency of the Issuer referred to on the face hereof and in the manner subject to the limitations provided in the Indenture, Securities may be presented for exchange for a like aggregate principal amount of Securities of other authorized denominations.

Upon due presentment for registration of transfer of this Security at

the above-mentioned office or agency of the Issuer, a new Security or Securities of authorized denominations, for a like aggregate principal amount, will be issued to the transferee as provided in the Indenture. No service charge shall be made for any such transfer, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

The Securities may be redeemed in whole or in part (if in part, by lot or by such other method as the Trustee shall deem fair or appropriate) prior to Stated Maturity at the option of the Issuer, on any date on or after February 1, 2001, upon mailing a notice of such redemption not less than 30 nor more than 60 days prior to the date fixed for redemption to the Holders of Securities, all as provided in the Indenture, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon, if any, to the date of redemption, plus the Applicable Premium. The Applicable Premium shall be computed by an independent investment banking institution of national standing selected by the Issuer and shall equal the excess (if any) of (i) the sum of the present values of all the remaining scheduled payments of principal and interest from the redemption date to maturity of the Security computed on a semi-annual basis by discounting such payments using a rate equal to the Treasury Rate (as defined in the Indenture) plus 50 basis points over (ii) the aggregate unpaid principal amount of the Security to be redeemed, plus any accrued but unpaid interest thereon.

In the event of a Change of Control (as defined in the Indenture), the Issuer has the obligation, subject to certain conditions, to offer to purchase the Securities at 101% of the principal amount thereof plus accrued interest to the date of purchase in accordance with the procedures set forth in the Indenture. As further described in the Indenture, a Change of Control will not be deemed to have occurred if, after giving effect thereto, the Securities are rated Investment Grade (as defined in the Indenture).

Subject to payment by the Issuer of a sum sufficient to pay the amount due on redemption, interest on this Security shall cease to accrue upon the date duly fixed for redemption of this Security.

The Issuer, the Trustee, and any authorized agent of the Issuer or the Trustee, may deem and treat the registered Holder hereof as the absolute owner of this Security (whether or not this Security shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Issuer or the Trustee or any authorized agent of the Issuer or the Trustee), for the purpose of receiving payment of, or on account of, the principal hereof and premium, if any, and, subject to the provisions on the face hereof, interest hereon and for all other purposes, and neither the Issuer nor the Trustee nor any authorized agent of the Issuer or the Trustee shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of, or premium, if any, or the interest on this Security, for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Issuer or of any successor corporation, either directly or through the Issuer or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

Dated:

This is one of the Securities referred to in the within-mentioned Indenture.

NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, as Trustee

Authorized Signatory

[FORM OF ASSIGNMENT]

I or we assign and transfer this Security to:

(Insert assignee's social security or tax I.D. number)

- ---
- ---
- ---
- ---

(Print or type name, address and zip code of assignee)

and irrevocably appoint:

- ---
- ---

Agent to transfer this Security on the books of the Issuer. The Agent may substitute another to act for him.

Date:_____ Your Signature:_____

(Sign exactly as your name appears on the other side of this Security)

*Signature Guarantee:_____

*Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in STAMP or such other "signature guarantee program" as may be determined

by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934.

[FORM OF OPTION OF HOLDER TO ELECT PURCHASE]

If you wish to have this Security purchased by the Issuer pursuant to

Section 3.10 of the Indenture, check the Box: [ ].

If you wish to have a portion of this Security purchased by the Issuer pursuant to Section 3.10 of the Indenture, state the amount (in original principal amount):

$----------.

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee: _____

EXHIBIT B

FORM OF RESTRICTED PERIOD CERTIFICATE
NRG ENERGY, INC.

[DATE]

The Depository Trust Company
[Address]

Norwest Bank Minnesota, North America,
As Trustee
Corporate Trust
Norwest Center
Sixth and Marquette
Minneapolis, Minnesota 55479-0069

Re: NRG Energy, Inc. 7.625% Senior Notes Due 1996

Ladies and Gentlemen:

Reference is hereby made to the Indenture dated as of January 31, 1996 (the "Indenture") from NRG Energy, Inc., to Norwest Bank Minnesota N.A., as Trustee. Capitalized terms used and not defined herein shall have the meanings given them in the Indenture.

This letter is related to U.S. $_____ principal amount of Securities represented by the Restricted Regulation S Global Security, held by the Trustee pursuant to Section 2.4 of the Indenture. We hereby certify that the offering of the Securities has closed and that the restricted period (as defined in Regulation S) with respect to the offer and sale of the Securities has terminated.

NRG ENERGY, INC.

By:

Name:

Title:

cc: Euroclear
CEDEL

EXHIBIT C

FORM OF TRANSFER CERTIFICATE
FOR TRANSFER OR EXCHANGE FROM RULE 144A GLOBAL SECURITY
OR IAI GLOBAL SECURITY TO RESTRICTED REGULATION S GLOBAL SECURITY
(Transfers or exchanges pursuant to
Section 2.6(b)(ii) of the Indenture)

Norwest Bank Minnesota, North America,
as Trustee
Corporate Trust
Norwest Center
Sixth and Marquette
Minneapolis, Minnesota 55479-0069

Re: NRG Energy, Inc. 7.625% Senior Notes
Due 2006 (the "Securities")

Reference is hereby made to the Indenture dated as of January 31, 1996 (the "Indenture") from NRG Energy, Inc. to Norwest Bank Minnesota N.A., as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S.$_____ principal amount of Securities which are held in the form of the [Rule 144A] [IAI] Global Security (CUSIP No.[629377AA0][629377AB8]) with the U.S. Depositary in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested a transfer or exchange of such beneficial interest for an interest in the Restricted Regulation S Global Security (CUSIP No. U66962AA6) to be held with [Euroclear] [Cedel] (Common Code _____) through the U.S. Depositary.

In connection with such request and in respect of such Securities, the Transferor does hereby certify that such transfer or exchange has been effected in accordance with the transfer restrictions set forth in the Indenture and the Securities and pursuant to and in accordance with Regulation S under the Securities Act, and accordingly the Transferor does hereby certify that:

(1) the offer of the Securities was not made to a person in the United States;

[(2) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States,]*

[(2) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was pre-arranged with a buyer in the United States,]*

(3) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable, and

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

[Insert Name of Transferor]

By:

Name:
Title:

Dated: _____, 199__

cc: NRG Energy, Inc.

* Insert one of these two provisions, which come from the definition of "offshore transactions" in Regulation S.

EXHIBIT D

FORM OF TRANSFER CERTIFICATE
FOR TRANSFER OR EXCHANGE FROM RULE 144A GLOBAL SECURITY
OR IAI GLOBAL SECURITY TO UNRESTRICTED REGULATION S GLOBAL SECURITY
(Exchanges or transfers Pursuant to ss. 2.6(b)(iii)
of the Indenture)

Norwest Bank Minnesota, North America,
as Trustee
Corporate Trust
Norwest Center
Sixth and Marquette
Minneapolis, Minnesota 55479-0069

Re: NRG Energy, Inc. 7.625% Senior Notes
Due 2006 (the "Securities")

Reference is hereby made to the Indenture dated as of January 31, 1996 (the "Indenture") NRG Energy, Inc., to Norwest Bank Minnesota N.A., as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S.$_____ principal amount of Securities which are held in the form of the [Rule 144A] [IAI] Global

Security (CUSIP No. [629377AA0][629377AB8]) with the U.S. Depositary in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such beneficial interest in the Securities for an interest in the Unrestricted Regulation S Global Security (CUSIP No. U66962AA6).

In connection with such request and in respect of such Securities, the Transferor does hereby certify that such exchange or transfer has been effected in accordance with the transfer restrictions set forth in the Indenture and the Securities and, (i) with respect to transfers made in reliance on Regulation S under the Securities Act, the Transferor does hereby certify that:

(1) the offer of the Securities was not made to a person in the United States;

[(2) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States,]*

[(2) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting

on its behalf knows that the transaction was pre-arranged with a buyer in the United States,]*

(3) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable, and

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the United States Securities Act of 1933, as amended (the "Securities Act");

(ii) with respect to transfers made in reliance on Rule 144 under the Securities Act, certify that the Securities are being transferred in a transaction permitted by Rule 144 under the Securities Act,

(iii) with respect to transfers made in reliance on another exemption from the Securities Act (including without limitation Rule 144A), the following is the basis for the exemption:_____, and

(iv) with respect to an exchange, either (x) the Security being exchanged is not a "restricted security" as defined in Rule 144 under the Securities Act or (y) the exchange is being made to facilitate a contemporaneous transfer that complies with Section 2.6(b)(iii) of the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

[Insert Name of Transferor]

By:

Name:
Title:

Dated:_____, 199__

cc: NRG Energy, Inc.

* Insert one of these two provisions, which come from the definition of "offshore transactions" in Regulation S.

EXHIBIT E

FORM OF TRANSFER CERTIFICATE FOR TRANSFER OR EXCHANGE
FROM RESTRICTED REGULATION S GLOBAL SECURITY, UNRESTRICTED
REGULATION S GLOBAL SECURITY OR
IAI GLOBAL SECURITY TO RULE 144A GLOBAL SECURITY
(Exchanges or transfers Pursuant to
Section 2.6(b)(iv) of the Indenture)

Norwest Bank Minnesota, North America,
as Trustee
Corporate Trust
Norwest Center
Sixth and Marquette
Minneapolis, Minnesota 55479-0069

Re: NRG Energy, Inc. 7.625% Senior Notes
Due 2006 (the "Securities")

Reference is hereby made to the Indenture dated as of January 31, 1996 (the "Indenture") from NRG Energy, Inc. to Norwest Bank Minnesota N.A., as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S. $_____ principal amount of Securities which are held in the form of the [[Restricted][Unrestricted] Regulation S Global Security (CUSIP No. U66926AA6) with [Euroclear] [Cedel].* (Common Code _____)] [IAI Global Security (CUSIP No. 629377AB8)] through the U.S. Depositary in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested a transfer or exchange of such beneficial interest in the Securities for an interest in the Rule 144A Global Security.

In connection with such request, and in respect of such Securities, the Transferor does hereby certify that such Securities are being transferred or exchanged in accordance with (i) the transfer restrictions set forth in the Securities and (ii) Rule 144A under the Securities Act to a transferee that the Transferor reasonably believes is purchasing the Securities for its own account or an account with respect to which the transferee exercises sole investment discretion and the transferee and any such account is a "qualified institutional buyer" within the meaning of Rule 144A, in each case in a transaction meeting the

* Select appropriate depositary.

the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

[Insert Name of Transferor]

By:

Name:
Title:

Dated:_____, 199__

cc: NRG Energy, Inc.

EXHIBIT F

FORM OF TRANSFER CERTIFICATE FOR TRANSFER OR EXCHANGE FROM RULE 144A GLOBAL SECURITY, RESTRICTED REGULATION S GLOBAL SECURITY OR UNRESTRICTED REGULATION S GLOBAL SECURITY TO IAI GLOBAL SECURITY
(Exchanges or transfers Pursuant to Section 2.6(b)(v) of the Indenture)

Norwest Bank Minnesota, North America,
as Trustee
Corporate Trust
Norwest Center
Sixth and Marquette
Minneapolis, Minnesota 55479-0069

Re: NRG Energy, Inc. 7.625% Senior Notes Due 2006 (the "Securities")

Reference is hereby made to the Indenture dated as of January 31, 1996 (the "Indenture") from NRG Energy, Inc. to Norwest Bank Minnesota N.A., as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S.$_____ principal amount of Securities which are held in the form of the [Rule 144A Global Security (CUSIP No. 629377AA0) with the U.S. Depositary] [[Restricted][Unrestricted] Regulation S Global Security (CUSIP No. U66962AA6) with [Euroclear] [Cedel]]* in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such Global Security for an interest in the IAI Global Security (CUSIP No. 629377AB8).

In connection with such request with respect to a transfer or exchange for an interest in the IAI Global Security, the Transferor does hereby certify that such exchange or transfer has been effected in accordance

with the transfer restrictions set forth in the Rule 144A Global Security, the Restricted Regulation S Global Security and the Unrestricted Regulation S Global Security (as the case may be) and, with respect to transfers made in reliance on Rule 144 under the Securities Act, certify that the Securities are being transferred in a transaction permitted by Rule 144 under the Securities Act.

In connection with such request with respect to a transfer or exchange for an interest in the IAI Global Security, and in respect of such Rule 144A Global Security,

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* Select appropriate depositary.

Restricted Regulations S Global Security and Unrestricted Regulation S Global Security (as the case may be), the Transferor does hereby certify that such Global Security is being transferred or exchanged in accordance with (i) the transfer restrictions set forth in the Global Securities and (ii) in accordance with the Securities Act to a transferee that the Transferor reasonably believes is purchasing the IAI Global Securities for its own account or an account with respect to which the transferee exercises sole investment discretion and the transferee and any such account is an institution that is an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act, in each case purchasing IAI Global Securities in a transaction exempt from the Securities Act and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

[Insert Name of Transferor]

By:

Name:
Title:

Dated:_____, 199__

cc: NRG Energy, Inc.

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REVOLVING CREDIT AGREEMENT

DATED AS OF

MARCH 17, 1997

AMONG

NRG ENERGY, INC.

THE BANKS PARTY HERETO,

AND

ABN AMRO BANK N.V.
As Agent

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EXHIBITS

SCHEDULES

REVOLVING CREDIT AGREEMENT

REVOLVING CREDIT AGREEMENT, dated as of March 17, 1997 among NRG Energy, Inc., a Delaware corporation (the "Borrower"), the banks from time to time party hereto (each a "Bank," and collectively the "Banks") and ABN AMRO Bank N.V. in its capacity as agent for the Banks hereunder (in such capacity, the "Agent").

WITNESSETH THAT:

WHEREAS, the Borrower desires to obtain the several commitments of the Banks to make available a revolving credit for loans and letters of credit (the "Revolving Credit"), as described herein; and

WHEREAS, the Banks are willing to extend such commitments subject to all of the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth;

NOW, THEREFORE, in consideration of the recitals set forth above and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS; INTERPRETATION.

Section 1.1. Definitions. The following terms when used herein have the following meanings:

"Account" is defined in Section 8.4(b) hereof.

"Adjusted LIBOR" is defined in Section 2.3(b) hereof.

"Affiliate" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with their correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of power to direct or cause the direction of management or policies of a Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event for purposes of this definition: (i) any Person which owns directly or indirectly 5% or more of the securities having ordinary

voting power for the election of directors or other governing body of a corporation or 5% or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person; and (ii) each director and executive officer of the Borrower or any Subsidiary shall be deemed an Affiliate of the Borrower and each Subsidiary.

"Agent" is defined in the first paragraph of this Agreement and includes any successor Agent pursuant to Section 10.7 hereof.

"Agreement" means this Revolving Credit Agreement, including all Exhibits and Schedules hereto, as it may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Applicable Margin" means, at any time (i) with respect to Base Rate Loans, the Base Rate Margin and (ii) with respect to Eurocurrency Loans, the Eurocurrency Margin.

"Application" is defined in Section 2.2(b) hereof.

"Applicable Telerate Page" is defined in Section 2.3(b) hereof.

"Authorized Representative" means those persons shown on the list of officers provided by the Borrower pursuant to Section 6.1(e) hereof, or on any updated such list provided by the Borrower to the Agent, or any further or different officer of the Borrower so named by any Authorized Representative of the Borrower in a written notice to the Agent.

"Bank" is defined in the first paragraph of this Agreement.

"Base Rate" is defined in Section 2.3(a) hereof.

"Base Rate Loan" means a Loan bearing interest prior to maturity at a rate specified in Section 2.3(a) hereof.

"Base Rate Margin" means the percentage set forth in Schedule 1 hereto beside the then applicable Rating.

"Borrower" is defined in the first paragraph of this Agreement.

"Borrowing" means the total of Loans of a single type advanced, continued for an additional Interest Period, or converted from a different type

into such type by the Banks on a single date and for a single Interest Period. Borrowings of Loans are made and maintained ratably from each of the Banks according to their Percentages. A Borrowing is "advanced" on the day Banks advance funds comprising such Borrowing to the Borrower, is "continued" on the date a new Interest Period for the same type of Loan commences for such Borrowing, and is "converted" when such Borrowing is changed from one type of Loan to the other, all as requested by the Borrower pursuant to Section 2.5(a).

"Business Day" means any day other than a Saturday or Sunday on which Banks are not authorized or required to close in Chicago, Illinois and, if the applicable Business Day relates to the borrowing or payment of a Eurocurrency Loan, on which dealings in U.S. Dollars may be carried on by the Agent in the interbank eurodollar market.

"Capital Lease" means at any date any lease of Property which, in accordance with GAAP, would be required to be capitalized on the balance sheet of the lessee.

"Capitalized Lease Obligations" means, for any Person, the amount of such Person's liabilities under Capital Leases determined at any date in accordance with GAAP.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commitments" means the Revolving Credit Commitments.

"Compliance Certificate" means a certificate in the form of Exhibit C hereto.

"Consolidated Capitalization" means Consolidated Tangible Net Worth plus Indebtedness of the Borrower and its Subsidiaries.

"Consolidated Current Liabilities" mean such liabilities of the Borrower on a consolidated basis as shall be

determined in accordance with GAAP to constitute current liabilities.

"Consolidated Net Income" means, for any period, the net income (or net loss) of the Borrower and its Subsidiaries for such period computed on a consolidated basis in accordance with GAAP.

"Consolidated Net Tangible Assets" means, as of the date of determination thereof, Consolidated Total Assets as of such date less the sum of (i) Consolidated Current Liabilities and (ii) Intangible Assets.

"Consolidated Tangible Net Worth" means, as of the date of any determination thereof, the amount reflected as stockholders' equity upon a consolidated balance sheet of the Borrower and its Subsidiaries less, without duplication, the total amount of such assets that constitute patents, tradenames, trademarks, copyrights, franchises, experimental expense, organization expense, unamortized debt discount and expense, deferred assets other than deferred income taxes, prepaid insurance and prepaid taxes, goodwill, and any other assets as are properly classified as "intangible assets" in accordance with GAAP.

"Consolidated Total Assets" means, as of the date of determination thereof, the total amount of all assets of the Borrower determined on a consolidated basis in accordance with GAAP.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its Property is bound.

"Controlled Group" means all members of a controlled group of

corporations and all trades and businesses (whether or not incorporated) under common control that, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Credit Documents" means this Agreement, the Notes, the Fee Letter, the Applications and the Letters of Credit.

"Credit Event" means the advancing of any Loan, the continuation of or conversion into a Eurocurrency Loan, or

the issuance of, or extension of the expiration date or increase in the amount of, any Letter of Credit.

"Debt" means, for any Person, any Indebtedness of such Person only of the types described in clauses (i) through (vi) of the definition of such term.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"Effective Date" means the date on which the Agent has received signed counterpart signature pages of this Agreement from each of the signatories (or, in the case of a Bank, confirmation that such Bank has executed such a counterpart and dispatched it for delivery to the Agent) and the documents required by Section 6.1 hereof.

"Environmental Law" means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. Section 1802 et seq., the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., the Federal Water Pollution Control Act, 33 U.S.C. Section 1252 et seq., the Clean Water Act, 33 U.S.C. Section 1321 et seq., the Clean Air Act, 42 U.S.C. Section 7401 et seq., and any other federal, state, county, municipal, local or other statute, law, ordinance or regulation which may relate to or deal with human health or the environment, all as may be from time to time amended.

"ERISA" is defined in Section 5.8 hereof.

"Eurocurrency Loan" means a Loan bearing interest prior to maturity at the rate specified in Section 2.3(b) hereof.

"Eurocurrency Margin" means the percentage set forth in Schedule 1 hereto beside the then applicable Rating.

"Eurocurrency Reserve Percentage" is defined in Section 2.3(b) hereof.

"Event of Default" means any of the events or circumstances specified in Section 8.1 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Facility Fee Rate" means the percentage set forth in Schedule 1 hereto beside the then applicable Rating.

"Federal Funds Rate" means the fluctuating interest rate per annum described in part (x) of clause (ii) of the definition of Base Rate set forth in Section 2.3(a) hereof.

"Fee Letter" means that certain letter between the Agent and the

Borrower dated as of the date hereof pertaining to fees to be paid by the Borrower to the Agent for the Agent's sole account and benefit.

"GAAP" means generally accepted accounting principles as in effect in the United States from time to time, applied by the Borrower and its Subsidiaries on a basis consistent with the preparation of the Borrower's financial statements furnished to the Banks.

"Guaranty" by any Person means all obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Indebtedness, dividend or other obligation (including, without limitation, limited or full recourse obligations in connection with sales of receivables or any other Property) of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, all obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Indebtedness or obligation or any Property or assets constituting security therefor, (ii) to advance or supply funds (x) for the purchase or payment of such Indebtedness or obligation, or (y) to maintain working capital or other balance sheet condition, or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation, or (iii) to lease property or to purchase Securities or other property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the primary obligor to make payment of the Indebtedness or obligation, or (iv) otherwise to assure the owner of the Indebtedness or obligation of the primary obligor against loss in respect thereof. For the purpose of all computations made under this Agreement, the amount of a Guaranty in respect

of any obligation shall be deemed to be equal to the maximum aggregate amount of such obligation or, if the Guaranty is limited to less than the full amount of such obligation, the maximum aggregate potential liability under the terms of the Guaranty.

"Hazardous Material" means any substance or material which is hazardous or toxic, and includes, without limitation, (a) asbestos, polychlorinated biphenyls, dioxins and petroleum or its by-products or derivatives (including crude oil or any fraction thereof) and (b) any other material or substance classified or regulated as "hazardous" or "toxic" pursuant to any Environmental Law.

"Indebtedness" means and includes, for any Person, all obligations of such Person, without duplication, which are required by GAAP to be shown as liabilities on its balance sheet, and in any event shall include all of the following whether or not so shown as liabilities (i) obligations of such Person for borrowed money, (ii) obligations of such Person representing the deferred purchase price of property or services, (iii) obligations of such Person evidenced by notes, acceptances, or other instruments of such Person or arising out of letters of credit issued for such Person's account, (iv) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person, (v) Capitalized Lease Obligations of such Person and (vi) obligations for which such Person is obligated pursuant to a Guaranty.

"Interest Period" is defined in Section 2.6 hereof.

"Intangible Assets" means, as of the date of determination thereof, all assets of the Borrower properly classified as intangible assets determined on a consolidated basis in accordance with GAAP.

"L/C Documents" means the Letters of Credit, any draft or other document presented in connection with a drawing thereunder, the Applications and this Agreement.

"L/C Fee Rate" means the percentage set forth in Schedule 1 hereto beside the then applicable Rating.

"L/C Obligations" means the aggregate undrawn face amounts of all outstanding Letters of Credit and all unpaid Reimbursement Obligations.

"Lending Office" is defined in Section 9.4 hereof.

"Letter of Credit" is defined in Section 2.2(a) hereof.

"LIBOR" is defined in Section 2.3(b) hereof.

"LIBOR Index Rate" is defined in Section 2.3(b) hereof.

"Lien" means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, including, but not limited to, the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale, security agreement or trust receipt, or a lease, consignment or bailment for security purposes. The term "Lien" shall also include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purposes of this definition, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, Capital Lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes, and such retention of title shall constitute a "Lien."

"Loan" is defined in Section 2.1(a) hereof and, as so defined, includes a Base Rate Loan or Eurocurrency Loan, each of which is a "type" of Loan hereunder.

"Material Adverse Effect" means any material adverse change in, or any adverse development which materially affects or could reasonably be expected to affect, the business, financial position or results of operations of the Borrower and its Subsidiaries, taken as a whole, or the ability of the Borrower to perform its obligations under the Credit Documents.

"Minimum Consolidated Tangible Net Worth" means an amount, as of the date of any determination thereof, equal

to the sum of $175,000,000 plus 25% of Consolidated Net Income for the period from and including April 1, 1996 to such determination date but which amount shall in no event be less than $175,000,000.

"Note" is defined in Section 2.10(a) hereof.

"Obligations" means all fees payable hereunder, all obligations of the Borrower to pay principal or interest on Loans, all obligations of the Borrower to pay L/C Obligations, and all other payment obligations of the Borrower arising under or in relation to any Credit Document.

"Original Dollar Amount" means the amount of any Loan or L/C Obligation.

"Participating Interest" is defined in Section 2.2(d) hereof.

"Percentage" means, for each Bank, the percentage of the Revolving Credit Commitments represented by such Bank's Revolving Credit Commitment or,

if the Revolving Credit Commitments have been terminated, the percentage held by such Bank (including through participation interests in L/C Obligations) of the aggregate principal amount of all outstanding Obligations.

"Person" means an individual, partnership, corporation, association, trust, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

"Plan" means at any time an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is either (i) maintained by a member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"PBGC" is defined in Section 5.9 hereof.

"Primergy Merger" means that certain merger between Northern States Power Company, a Minnesota corporation and

Wisconsin Energy Corporation, a Wisconsin corporation, to be consummated pursuant to that certain Amended and Restated Agreement and Plan of Merger dated as of April 28, 1995, as amended and restated as of July 26, 1995.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

"Rating" means the rating given to senior unsecured debt obligations of the Borrower by Moody's Investors Service, Inc. and Standard & Poor's Ratings Service, Inc., and any successors thereto.

"Reference Banks" means ABN AMRO Bank N.V., and one other representative of the Banks. In the event that any of such Banks ceases to be a "Bank" hereunder or fails to provide timely quotations of interests rates to the Agent as and when required by this Agreement, then such Bank shall be replaced by a new reference bank jointly designated by the Agent and the Borrower.

"Reimbursement Obligation" is defined in Section 2.2(c) hereof.

"Replaceable Bank" is defined in Section 11.13(iii).

"Replacement Bank" is defined in Sectino 11.13(iii).

"Required Banks" means, as of the date of determination thereof, Banks holding at least 66-2/3% of the Percentages.

"Revolving Credit Commitment" is defined in Section 2.1 hereof.

"SEC" means the Securities and Exchange Commission.

"Security" has the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"Subsidiary" means, as to the Borrower, any active, domestic corporation or other entity of which one hundred percent (100%) of the outstanding stock or comparable equity interests having ordinary voting power for the election of the Board of Directors of such corporation or similar governing body in the case of a non-corporation

(irrespective of whether or not, at the time, stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly owned by the Borrower.

"Syndication Date" means the date on which additional Banks become parties to this Agreement and make Commitments hereunder. The Syndication Date shall occur, if at all, within ninety (90) days of the date hereof, unless such date is extended by the mutual agreement of the parties hereto.

"Telerate Service" means the Dow Jones Telerate Service.

"Termination Date" means March 17, 2000, subject to any extension of such date pursuant to Section 3.2 hereof.

"Unfunded Vested Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all vested nonforfeitable accrued benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

"U.S. Dollars" and "$" each means the lawful currency of the United States of America.

"Voting Stock" of any Person means capital stock of any class or classes or other equity interests (however designated) having ordinary voting power for the election of directors or similar governing body of such Person.

"Welfare Plan" means a "welfare plan", as defined in Section 3(l) of ERISA.

"Wholly-Owned" when used in connection with any Subsidiary of the Borrower means a Subsidiary of which all of the issued and outstanding shares of stock or other equity interests (other than directors' qualifying shares as required by law) shall be owned by the Borrower and/or one or more of its Wholly-Owned Subsidiaries.

Section 1.2. Interpretation. The foregoing definitions shall be equally applicable to both the singular and plural forms of the terms defined. All references to times of day in this Agreement shall be references to Chicago, Illinois time unless otherwise specifically provided. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the specific provisions of this Agreement.

SECTION 2. THE REVOLVING CREDIT.

Section 2.1. The Loan Commitment. (a) General Terms. Subject to the terms and conditions hereof, each Bank, by its acceptance hereof, severally agrees to make a loan or loans (individually a "Loan" and collectively "Loans") to the Borrower from time to time on a revolving basis in U.S. Dollars in an aggregate outstanding Original Dollar Amount up to the amount of its revolving credit commitment set forth on the applicable signature page hereof (such amount, as reduced pursuant to Section 2.1(b) or Section 2.12 or changed as a result of one or more assignments under Section 11.12 or 11.13(iii), its "Revolving Credit Commitment" and, cumulatively for all the Banks, the "Revolving Credit Commitments") before the Termination Date. The sum of the

aggregate Original Dollar Amount of Loans and of L/C Obligations at any time outstanding shall not exceed the Revolving Credit Commitments in effect at such time. Each Borrowing of Loans shall be made ratably from the Banks in proportion to their respective Percentages. As provided in Section 2.5(a) hereof, the Borrower may elect that each Borrowing of Loans be either Base Rate Loans or Eurocurrency Loans. Loans may be repaid and the principal amount thereof reborrowed before the Termination Date, subject to all the terms and conditions hereof.

(b) Specific Terms Applicable to the Agent's Commitments. Notwithstanding anything to the contrary set forth in clause (a) above, if, on the Syndication Date, the aggregate Commitments of the Banks other than the Agent is less than $75,000,000, then the commitment of the Agent shall be reduced to an amount equal to twenty-five percent (25 %) of the aggregate Commitments of all Banks, inclusive

of the Agent, and this Agreement shall be modified accordingly.

Section 2.2. Letters of Credit. (a) General Terms. Subject to the terms and conditions hereof, as part of the Revolving Credit the Agent shall issue letters of credit denominated in U.S. Dollars (each a "Letter of Credit") for the Borrower's account, provided that the aggregate L/C Obligations at any time outstanding shall not exceed the difference between the Revolving Credit Commitments in effect at such time and the aggregate Original Dollar Amount of Loans then outstanding. Each Letter of Credit shall be issued by the Agent, but each Bank shall be obligated to purchase an undivided percentage participation interest of such Letter of Credit from the Agent pursuant to Section 2.2(d) hereof in an amount equal to its Percentage of the amount of each drawing thereunder and, accordingly, the undrawn face amount of each Letter of Credit shall constitute usage of the Revolving Credit Commitment of each Bank pro rata in accordance with each Bank's Percentage.

(b) Applications. At any time before the Termination Date, the Agent shall, at the request of the Borrower, issue one or more Letters of Credit, in a form satisfactory to the Agent, with expiration dates no later than the Termination Date, in an aggregate face amount as set forth above, upon the receipt of a duly executed application for the relevant Letter of Credit in the form attached hereto as Exhibit E (each an "Application"). Notwithstanding anything contained in any Application to the contrary (i) the Borrower's obligation to pay fees in connection with each Letter of Credit shall be as set forth in Section 3.1(c) hereof, and (ii) any drawing under a Letter of Credit shall bear interest (which the Borrower hereby agrees to pay on demand) from and after the date such drawing is paid at a rate per annum equal to the sum of the Base Rate Margin plus the Base Rate from time to time in effect; provided, however, if the Agent is not timely reimbursed for the amount of any drawing under a Letter of Credit three (3) Business Days from the date such drawing is paid, the Borrower's obligation to reimburse the Agent for the amount of such drawing shall bear interest (which the Borrower hereby promises to pay on demand) from and after the date three (3) Business Days after such drawing is paid at a rate per annum equal to the sum of 2% plus the Base Rate Margin plus the Base Rate from time to time in

effect. The Agent will promptly notify the Banks of each issuance by it of a Letter of Credit. If the Agent issues any Letters of Credit with expiration dates that are automatically extended unless the Agent gives notice that the expiration date will not so extend beyond its then scheduled expiration date, the Agent will give such notice of non-renewal before the time necessary to prevent such automatic extension if before such required notice date (i) the expiration date of such Letter of Credit if so extended would be after the Termination Date, (ii) the Commitments have been terminated or (iii) a Default

or Event of Default exists and the Required Banks have given the Agent instructions not to so permit the extension of the expiration date of such Letter of Credit. The Agent agrees to issue amendments to the Letter(s) of Credit increasing the amount, or extending the expiration date, thereof at the request of the Borrower subject to the conditions set forth herein (including the conditions set forth in Section 6.2 and the other terms of this Section 2.2). Without limiting the generality of the foregoing, the Agent's obligation to issue, amend or extend the expiration date of a Letter of Credit is subject to the conditions set forth herein (including the conditions set forth in Section 6.2 and the other terms of this Section 2.2).

(c) The Reimbursement Obligations. Subject to Section 2.2(b) hereof, the obligation of the Borrower to reimburse the Agent for all drawings under a Letter of Credit (a "Reimbursement Obligation") shall be governed by the Application related to such Letter of Credit, except that reimbursement of each drawing shall be made in immediately available funds at the Agent's principal office in Chicago, Illinois by no later than 12:00 Noon (Chicago time) on the date when such drawing is paid or, if such drawing was paid after 11:30 a.m. (Chicago time), by the end of such day. If the Borrower does not make any such reimbursement payment on the date due and the Banks fund their participations therein in the manner set forth in Section 2.2(d) below, then all payments thereafter received by the Agent in discharge of any of the relevant Reimbursement Obligations shall be distributed in accordance with Section 2.2(d) below. In addition, for the benefit of the Agent and each Bank, the Borrower agrees that, notwithstanding any provision of any Application, the obligations of the Borrower under this Section 2.2(c) and each Application shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of

this Agreement and the Applications, under all circumstances whatsoever, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of any L/C Document;

(ii) any amendment or waiver of or any consent to departure from all or any of the provisions of any L/C Document;

(iii) the existence of any claim, set-off, defense or other right the Borrower may have at any time against a beneficiary of a Letter of Credit (or any Person for whom a beneficiary may be acting), the Agent, any Bank or any other Person, whether in connection with this Agreement, another L/C Document or any unrelated transaction;

(iv) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment by the Agent under a Letter of Credit against presentation to the Agent of a draft or certificate that does not comply with the terms of the Letter of Credit, provided that the Agent's determination that documents presented under the Letter of Credit comply with the terms thereof did not constitute gross negligence or willful misconduct of the Agent; or

(vi) any other act or omission to act or any other delay by the Agent, any Bank or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this Section 2.2(c), constitute a legal or equitable discharge of the Borrower's obligations hereunder or under an Application.

(d) The Participating Interests. Each Bank, by its acceptance hereof, severally agrees to purchase from the Agent, and the Agent hereby agrees to sell to each such Bank, an undivided percentage participating interest (a

"Participating Interest"), to the extent of its Percentage,

in each Letter of Credit issued by, and each Reimbursement Obligation owed to, the Agent. Upon any failure by the Borrower to pay any Reimbursement Obligation at the time required on the date the related drawing is paid, as set forth in Section 2.2(c) above, or if the Agent is required at any time to return to the Borrower or to a trustee, receiver, liquidator, custodian or other Person any portion of any payment of any Reimbursement Obligation, each Bank shall, not later than the Business Day it receives a certificate in the form of Exhibit A hereto from the Agent to such effect, if such certificate is received before 1:00 p.m. (Chicago time), or not later than the following Business Day, if such certificate is received after such time, pay to the Agent an amount equal to its Percentage of such unpaid or recaptured Reimbursement Obligation together with interest on such amount accrued from the date the related payment was made by the Agent to the date of such payment by such Bank at a rate per annum equal to (i) from the date the related payment was made by the Agent to the date two (2) Business Days after payment by such Bank is due hereunder, the Federal Funds Rate for each such day and (ii) from the date two (2) Business Days after the date such payment is due from such Bank to the date such payment is made by such Bank, the Base Rate in effect for each such day. Each such Bank shall thereafter be entitled to receive its Percentage of each payment received in respect of the relevant Reimbursement Obligation and of interest paid thereon, with the Agent retaining its Percentage as a Bank hereunder.

The several obligations of the Banks to the Agent under this Section 2.2 shall be absolute, irrevocable and unconditional under any and all circumstances whatsoever and shall not be subject to any set-off, counterclaim or defense to payment which any Bank may have or have had against the Borrower, the Agent, any other Bank or any other Person whatsoever. Without limiting the generality of the foregoing, such obligations shall not be affected by any Default or Event of Default or by any reduction or termination of any Commitment of any Bank, and each payment by a Bank under this Section 2.2 shall be made without any offset, abatement, withholding or reduction whatsoever. The Agent shall be entitled to offset amounts received for the account of a Bank under the Credit Documents against unpaid amounts due from such Bank to the Agent hereunder (whether as fundings of participations, indemnities or otherwise).

(e) Indemnification. The Banks shall, to the extent of their respective Percentages, indemnify the Agent (to the extent not reimbursed by the Borrower) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from the Agent's gross negligence or willful misconduct) that the Agent may suffer or incur in connection with any Letter of Credit. The obligations of the Banks under this Section 2.2(e) and all other parts of this Section 2.2 shall survive termination of this Agreement and of all other L/C Documents.

Section 2.3. Applicable Interest Rates. (a) Base Rate Loans. Each Base Rate Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding computed on the basis of a year of 365 or 366 days, as applicable, and actual days elapsed on the unpaid principal amount thereof from the date such Loan is advanced, continued or created by conversion from a Eurocurrency Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Base Rate from time to time in effect, payable on the last day of its Interest Period and at maturity (whether by acceleration or otherwise).

"Base Rate" means for any day the greater of:

(i) the rate of interest announced by the Agent at its offices in

Chicago, Illinois, from time to time as its prime rate, or equivalent, for U.S. Dollar loans as in effect on such day, with any change in the Base Rate resulting from a change in said prime rate to be effective as of the date of the relevant change in said prime rate; and

(ii) the sum of (x) the rate determined by the Agent to be the prevailing rate per annum (rounded upwards, if necessary, to the nearest one hundred-thousandth of a percentage point) at approximately 10:00 a.m. (New York time) (or as soon thereafter as is practicable) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) for the purchase at face value of overnight Federal funds, as published by the Federal Reserve bank of New York, in an amount comparable to the principal amount owed to the Agent for which such rate is being determined, plus (y) 1/2 of 1% (0.50%).

(b) Eurocurrency Loans. Each Eurocurrency Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued, or created by conversion from a Base Rate Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Adjusted LIBOR applicable for such Interest Period, payable on the last day of the Interest Period and at maturity (whether by acceleration or otherwise), and, if the applicable Interest Period is longer than three months, on each day occurring every three months after the commencement of such Interest Period. All payments of principal and interest on a Loan (whether a Base Rate Loan or Eurocurrency Loan) shall be made in U.S. Dollars.

"Adjusted LIBOR" means, for any Borrowing of Eurocurrency Loans, a rate per annum determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR}}{1 - \text{Eurocurrency Reserve Percentage}}$$

"LIBOR" means, for an Interest Period, (a) the LIBOR Index Rate for such Interest Period as from time to time quoted by the Telerate Service, if such rate is available, and (b) if the LIBOR Index Rate is not quoted by the Telerate Service, the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the nearest one-sixteenth of one percent) at which deposits in U.S. Dollars in immediately available funds are offered to each Reference Bank at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period by major banks in the interbank eurocurrency market for delivery on the first day of and for a period equal to such Interest Period in an amount equal or comparable to the principal amount of the Eurocurrency Loan scheduled to be made by the Agent as part of such Borrowing.

"LIBOR Index Rate" means, for any Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one-sixteenth of one percent) for deposits in U.S. Dollars for delivery on the first day of and for a period equal to such Interest Period in an amount equal or comparable to the principal amount of the Loan scheduled to

be made by the Agent as part of such Borrowing, which appears on the Applicable Telerate Page, as of 11:00 a.m. (London, England time) on the day two (2) Business Days before the commencement of such Interest Period.

"Applicable Telerate Page" means the display page designated as "Page 3750" on the Telerate Service (or such other page as may replace such pages, as appropriate, on that service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for deposits in U.S. Dollars).

"Eurocurrency Reserve Percentage" means the daily average for the applicable Interest Period of the maximum rate, expressed as a decimal, at which reserves (including, without limitation, any supplemental, marginal and emergency reserves) are imposed during such Interest Period by the Board of Governors of the Federal Reserve System (or any successor) on "eurocurrency liabilities", as defined in such Board's Regulation D (or in respect of any other category of liabilities that includes deposits by reference to which the interest rate is determined or any category of extensions of credit or other assets that include loans by non-United States offices of any Bank to United States residents), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. For purposes of this definition, the Eurocurrency Loans shall be deemed to be "eurocurrency liabilities" as defined in Regulation D without benefit or credit for any prorations, exemptions or offsets under Regulation D.

(c) Rate Determinations. The Agent shall determine each interest rate applicable to Obligations and the Original Dollar Amount of Loans, and a determination thereof by the Agent shall be conclusive and binding except in the case of manifest error.

Section 2.4. Minimum Borrowing Amounts. Each Borrowing of Base Rate Loans and Eurocurrency Loans denominated in U.S. Dollars shall be in an amount not less than $1,000,000 and in integral multiples of $1,000,000 provided that a Borrowing of Base Rate Loans applied to pay a Reimbursement Obligation pursuant to Section 2.5(c) hereof shall be in an amount equal to such Reimbursement Obligation.

Section 2.5. Manner of Borrowing Loans and Designating Interest Rates Applicable to Loans. (a) Notice to the Agent. The Borrower shall give written notice to the Agent by no later than 10:00 a.m. (Chicago time) (i) at least three (3) Business Days before the date on which the Borrower requests the Banks to advance a Borrowing of Eurocurrency Loans and (ii) on the date the Borrower requests the Banks to advance a Borrowing of Base Rate Loans. The Loans included in each Borrowing shall bear interest initially at the type of rate specified in such notice of a new Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Borrowing or, subject to Section 2.4's minimum amount requirement for each outstanding Borrowing, a portion thereof, as follows: (i) if such Borrowing is of Eurocurrency Loans, on the last day of the Interest Period applicable thereto, the Borrower may continue part or all of such Borrowing as Eurocurrency Loans for an Interest Period or Interest Periods specified by the Borrower or convert part or all of such Borrowing into Base Rate Loans, (ii) if such Borrowing is of Base Rate Loans, on any Business Day, the Borrower may convert all or part of such Borrowing into Eurocurrency Loans for an Interest Period or Interest Periods specified by the Borrower. The Borrower shall give all such notices requesting the advance, continuation, or conversion of a Borrowing to the Agent by telephone or telecopy (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing). Notices of the continuation of a Borrowing of Eurocurrency Loans for an additional Interest Period or of the conversion of part or all of a Borrowing of Eurocurrency Loans into Base Rate Loans or of Base Rate Loans into Eurocurrency Loans must be given by no later than 10:00 a.m. (Chicago time) at least three (3) Business Days before the date of the requested continuation or conversion. All such notices concerning the advance, continuation, or conversion of a Borrowing shall specify the date of the requested advance, continuation or conversion of a Borrowing (which shall be a Business Day), the amount of the requested Borrowing to be advanced, continued, or converted, the

type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of Eurocurrency Loans, the Interest Period applicable thereto. The Borrower agrees that the Agent may rely on any such telephonic or telecopy notice given by any person it in good faith believes is an Authorized Representative without the

necessity of independent investigation, and in the event any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Agent has acted in reliance thereon. There may be no more than five different Interest Periods in effect at any one time.

(b) Notice to the Banks. The Agent shall give prompt telephonic or telecopy notice to each Bank of any notice from the Borrower received pursuant to Section 2.5.(a) above. The Agent shall give notice to the Borrower and each Bank by like means of the interest rate applicable to each Borrowing of Eurocurrency Loans and the Original Dollar amount thereof.

(c) Borrower's Failure to Notify. Any outstanding Borrowing of Base Rate Loans shall, subject to Section 6.2 hereof, automatically be continued for an additional Interest Period on the last day of its then current Interest Period unless the Borrower has notified the Agent within the period required by Section 2.5(a) that it intends to convert such Borrowing into a Borrowing of Eurocurrency Loans or notifies the Agent within the period required by Section 2.8(a) that it intends to prepay such Borrowing. If the Borrower fails to give notice pursuant to Section 2.5(a) above of the continuation or conversion of any outstanding principal amount of a Borrowing of Eurocurrency Loans before the last day of its then current Interest Period within the period required by Section 2.5(a) and has not notified the Agent within the period required by Section 2.8(a) that it intends to prepay such Borrowing, such Borrowing shall automatically be converted into a Borrowing of Base Rate Loans, subject to Section 6.2 hereof. In the event the Borrower fails to give notice pursuant to Section 2.5(a) above of a Borrowing equal to the amount of a Reimbursement Obligation and has not notified the Agent by 10:00 a.m. (Chicago time) on the day such Reimbursement Obligation becomes due that it intends to repay such Reimbursement Obligation through funds not borrowed under this Agreement, the Borrower shall be deemed to have requested a Borrowing of Base Rate Loans on such day in the amount of the Reimbursement Obligation then due, subject to Section 6.2 hereof, which Borrowing shall be applied to pay the Reimbursement Obligation then due.

(d) Disbursement of Loans. Not later than 11:00 a.m. (Chicago time) on the date of any requested advance of a

new Borrowing of Eurocurrency Loans, and not later than 12:00 noon (Chicago time) on the date of any requested advance of a new Borrowing of Base Rate Loans, subject to Section 6 hereof, each Bank shall make available its Loan comprising part of such Borrowing in funds immediately available at the principal office of the Agent in Chicago, Illinois. The Agent shall make available to the Borrower Loans at the Agent's principal office in Chicago, Illinois or such other office as the Agent has previously agreed to, in writing, with the Borrower.

(e) Agent Reliance on Bank Funding. Unless the Agent shall have been notified by a Bank before the date on which such Bank is scheduled to make payment to the Agent of the proceeds of a Loan (which notice shall be effective upon receipt) that such Bank does not intend to make such payment, the Agent may assume that such Bank has made such payment when due and the Agent may in reliance upon such assumption (but shall not be required to) make available to the Borrower the proceeds of the Loan to be made by such Bank and, if any Bank has not in fact made such payment to the Agent, such Bank shall, on demand, pay

to the Agent the amount made available to the Borrower attributable to such Bank together with interest thereon in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on (but excluding) the date such Bank pays such amount to the Agent at a rate per annum equal to the Federal Funds Rate. If such amount is not received from such Bank by the Agent immediately upon demand, the Borrower will, on demand, repay to the Agent the proceeds of the Loan attributable to such Bank with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan.

Section 2.6. Interest Periods. As provided in Section 2.5(a) hereof, at the time of each request to advance, continue, or create by conversion a Borrowing of Eurocurrency Loans, the Borrower shall select an Interest Period applicable to such Loans from among the available options. The term "Interest Period" means the period commencing on the date a Borrowing of Loans is advanced, continued, or created by conversion and ending: (a) in the case of Base Rate Loans, on the last Business Day of the calendar quarter in which such Borrowing is advanced, continued, or created by conversion (or on the last day of the following calendar quarter if such Loan is advanced, continued or created by conversion on the last Business Day

of a calendar quarter), and (b) in the case of Eurocurrency Loans, 1, 2, 3, or 6 months thereafter; provided, however, that:

(a) any Interest Period for a Borrowing of Base Rate Loans that otherwise would end after the Termination Date shall end on the Termination Date;

(b) for any Borrowing of Eurocurrency Loans, the Borrower may not select an Interest Period that extends beyond the Termination Date;

(c) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall be extended to the next succeeding Business Day, provided that, if such extension would cause the last day of an Interest Period for a Borrowing of Eurocurrency Loans to occur in the following calendar month, the last day of such Interest Period shall be the immediately preceding Business Day; and

(d) for purposes of determining an Interest Period for a Borrowing of Eurocurrency Loans, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; provided, however, that if there is no numerically corresponding day in the month in which such an Interest Period is to end or if such an Interest Period begins on the last Business Day of a calendar month, then such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

Section 2.7. Maturity of Loans. Unless an earlier maturity is provided for hereunder (whether by acceleration or otherwise), each Loan shall mature and become due and payable by the Borrower on the Termination Date.

Section 2.8. Prepayments. (a) The Borrower may prepay without premium or penalty and in whole or in part (but, if in part, then: (i) if such Borrowing is of Base Rate Loans, in an amount not less than $1,000,000, (ii) if such Borrowing is of Eurocurrency Loans in an amount not less than $1,000,000, and (iii) in an amount such that the minimum amount required for a Borrowing pursuant to Section 2.4 hereof remains outstanding) any Borrowing of

Eurocurrency Loans upon three Business Days prior notice to the Agent or, in the case of a Borrowing of Base Rate Loans, notice delivered to the Agent no later than 10:00 a.m. (Chicago time) on the date of prepayment, such prepayment to be made by the payment of the principal amount to be prepaid and accrued interest thereon to the date fixed for prepayment. In the case of Eurocurrency Loans, such prepayment may only be made on the last day of the Interest Period then applicable to such Loans. The Agent will promptly advise each Bank of any such prepayment notice it receives from the Borrower. Any amount paid or prepaid before the Termination Date may, subject to the terms and conditions of this Agreement, be borrowed, repaid and borrowed again.

(b) If the aggregate principal amount of outstanding Loans and L/C Obligations shall at any time for any reason exceed the Revolving Credit Commitments then in effect, the Borrower shall, immediately and without notice or demand, pay the amount of such excess to the Agent for the ratable benefit of the Banks as a prepayment of the Loans and, if necessary, a prefunding of Letters of Credit. Immediately upon determining the need to make any such prepayment the Borrower shall notify the Agent of such required prepayment. Each such prepayment shall be accompanied by a payment of all accrued and unpaid interest on the Loans prepaid and shall be subject to Section 2.11.

Section 2.9. Default Rate. If any payment of principal on any Loan is not made when due (whether by acceleration or otherwise), such Loan shall bear interest, computed on the basis of a year of 360 days and actual days elapsed (except for Loans based on the rate described in clause (i) of the definition of Base Rate, in which case such Loan shall bear interest computed on the basis of a year of 365 or 366 days, as applicable, and the actual number of days elapsed) from the date such payment was due until paid in full, payable on demand, at a rate per annum equal to:

(a) for any Base Rate Loan, the sum of two percent (2%) plus the Applicable Margin plus the Base Rate from time to time in effect; and

(b) for any Eurocurrency Loan, the sum of two percent (2%) plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period applicable thereto and, thereaf-

ter, at a rate per annum equal to the sum of two percent (2%) plus the Applicable Margin plus the Base Rate from time to time in effect.

Section 2.10. The Notes. (a) The Loans made to the Borrower by a Bank shall be evidenced by a single promissory note of the Borrower issued to such Bank in the form of Exhibit B hereto. Each such promissory note is hereinafter referred to as a "Note" and collectively such promissory notes are referred to as the "Notes."

(b) Each Bank shall record on its books and records or on a schedule to its Note the amount of each Loan advanced, continued, or converted by it, all payments of principal and interest and the principal balance from time to time outstanding thereon, the type of such Loan, and, for any Eurocurrency Loan, the Interest Period and the interest rate applicable thereto. The record thereof, whether shown on such books and records of a Bank or on a schedule to any Note, shall be prima facie evidence as to all such matters; provided, however, that the failure of any Bank to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to repay all Loans made to it hereunder together with accrued interest thereon. At the request of any Bank and upon such Bank tendering to the Borrower the Note to be replaced, the Borrower shall furnish a new Note to such Bank to replace any outstanding Note, and at such time the first notation appearing on a schedule on the reverse side of, or attached to, such Note shall set forth the aggregate unpaid principal amount of all Loans, if any, then outstanding thereon.

Section 2.11. Funding Indemnity. If any Bank shall incur any loss,

cost or expense (including, without limitation, any loss of profit, and any loss, cost or expense incurred by reason of the liquidation or re-employment of deposits or other funds acquired by such Bank to fund or maintain any Eurocurrency Loan or the relending or reinvesting of such deposits or amounts paid or prepaid to such Bank) as a result of:

(a) any payment (whether by acceleration or otherwise), prepayment or conversion of a Eurocurrency Loan on a date other than the last day of its Interest Period,

(b) any failure (because of a failure to meet the conditions of Section 6 or otherwise) by the Borrower to borrow or continue a Eurocurrency Loan, or to convert a Base Rate Loan into a Eurocurrency Loan, on the date specified in a notice given pursuant to Section 2.5(a) or established pursuant to Section 2.5(c) hereof,

(c) any failure by the Borrower to make any payment of principal on any Eurocurrency Loan when due (whether by acceleration or otherwise), or

(d) any acceleration of the maturity of a Eurocurrency Loan as a result of the occurrence of any Event of Default hereunder,

then, upon the demand of such Bank, the Borrower shall pay to such Bank such amount as will reimburse such Bank for such loss, cost or expense. If any Bank makes such a claim for compensation, it shall provide to the Borrower, with a copy to the Agent, a certificate executed by an officer of such Bank setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for and the computation of such loss, cost or expense) and the amounts shown on such certificate if reasonably calculated shall be conclusive absent manifest error.

Section 2.12. Commitment Terminations. The Borrower shall have the right at any time and from time to time, upon five (5) Business Days prior written notice to the Agent, to terminate the Revolving Credit Commitments without premium or penalty, in whole or in part, any partial termination to be (i) in an amount not less than $5,000,000, and (ii) allocated ratably among the Banks in proportion to their respective Percentages, provided that the Revolving Credit Commitments may not be reduced to an amount less than the sum of the Original Dollar Amount of all Loans and all L/C Obligations then outstanding. The Agent shall give prompt notice to each Bank of any such termination of Commitments. Any termination of Revolving Credit Commitments pursuant to this Section 2.12 may not be reinstated.

SECTION 3. FEES AND EXTENSIONS.

Section 3.1. Fees.

(a) Certain Fees. The Borrower shall pay, or cause to be paid, to the Agent certain fees set forth in the Fee Letter at the time specified in the Fee Letter for payment of such amounts.

(b) Facility Fee. For the period from the Effective Date to and including the Termination Date, the Borrower shall pay to the Agent for the ratable account of the Banks in accordance with their Percentages a facility fee accruing at a rate per annum equal to the Facility Fee Rate on the average daily amount of the Commitments (whether used or unused) less issued and outstanding Letters of Credit, or if the Commitments have expired or terminated, on the principal amount of Loans. Such facility fee is payable in arrears on

the last Business Day of each calendar quarter quarterly and on the Termination Date, unless the Revolving Credit Commitments are terminated in whole on an earlier date, in which event the fee for the period to but not including the date of such termination shall be paid in whole on the date of such termination.

(c) Letter of Credit Fees. (i) The Borrower shall pay to the Agent for the account of each Bank letter of credit fees with respect to the Letters of Credit at a rate per annum equal to the Letter of Credit Fee Rate on the average daily maximum amount available to be drawn under the outstanding Letters of Credit for the applicable period computed on a quarterly basis in arrears on the last Business Day of each calendar quarter and on the Termination Date.

(ii) The letter of credit fees payable under Section 3.1(c)(i) shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter during which Letters of Credit are outstanding, commencing on the first such quarterly date to occur after the Effective Date, through the Termination Date, with the final payment to be made on the Termination Date (or such later expiration date), unless the Revolving Credit Commitments are terminated in

whole on an earlier date, in which event the fee for the period to but not including the date of such termination shall be paid in whole on the date of such termination.

(iii) The Borrower shall pay to the Agent from time to time on demand the normal issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the Agent relating to Letters of Credit as from time to time in effect.

(d) Fee Calculations. All fees payable under this Agreement shall be payable in U.S. Dollars and shall be computed on the basis of a year of 360 days, for the actual number of days elapsed. All determinations of the amount of fees owing hereunder (and the components thereof) shall be made by the Agent and shall be conclusive absent manifest error.

Section 3.2. Extension of Termination Date. No later than ninety (90) days before the second anniversary date of this Agreement the Borrower may make a request for a one year extension of the Termination Date in a written notice to the Agent. The Agent will promptly inform the Banks of any such request, and each Bank shall notify the Agent in writing within thirty (30) days before the anniversary date following such request whether it agrees to the requested extension. If a Bank fails to so notify the Agent whether it agrees to such extension, such Bank shall be deemed to have refused to grant the requested extension. Upon receipt by the Agent of the written consent of all the Banks, the Termination Date shall be automatically extended an additional year. Otherwise, the Termination Date will remain as then scheduled.

SECTION 4. PLACE AND APPLICATION OF PAYMENTS.

Section 4.1. Place and Application of Payments. All payments of principal of and interest on the Loans and the Reimbursement Obligations, and of all other amounts payable by the Borrower under this Agreement, shall be made by the Borrower to the Agent by no later than 12:00 Noon (Chicago time) on the due date thereof at the principal office of the Agent in Chicago, Illinois (or such other location in the United States as the Agent may designate to the Borrower) or, if such payment is on a Reimbursement

Obligation, no later than provided by Section 2.2(c) hereof. Any payments received after such time shall be deemed to have been received by the Agent on the next Business Day. All such payments shall be made free and clear of, and without deduction for, any set-off, counterclaim, levy, withholding or any other deduction of any kind in U.S. Dollars, in immediately available funds at the place of payment. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest on Loans or applicable fees ratably to the Banks and like funds relating to the payment of any other amount payable to any Person to such Person, in each case to be applied in accordance with the terms of this Agreement.

SECTION 5. REPRESENTATIONS AND WARRANTIES.

The Borrower hereby represents and warrants to each Bank as to itself and, where the following representations and warranties apply to Subsidiaries, as to each of its Subsidiaries, as follows:

Section 5.1. Corporate Organization and Authority. The Borrower and each of its Subsidiaries is, and at the Closing Date will be, duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, except where such failure to be in good standing would not, individually or in the aggregate, have a Material Adverse Effect. Each is duly qualified to transact business in each jurisdiction in which such qualification is required, whether by reason of ownership or leasing of property or the conduct of business or otherwise, except where failure to be so qualified would not, individually or in the aggregate, have a Material Adverse Effect. Each has the power and authority required to own, lease and operate its properties and to conduct its business as currently conducted, except where failure to have such power and authority would not, individually or in the aggregate, have a Material Adverse Effect.

Section 5.2. Subsidiaries. Schedule 5.2 (as updated from time to time pursuant to Section 7.1) hereto identifies each Subsidiary and the jurisdiction of its incorporation. All of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and outstanding and fully paid and nonassessable except as set forth on

Schedule 5.2 hereto. All such shares owned by the Borrower are owned beneficially, and of record, free of any Lien.

Section 5.3. Corporate Authority and Validity of Obligations. The Borrower has full right and authority to enter into this Agreement and the other Credit Documents to which it is a party, to make the borrowings herein provided for, to issue its Notes in evidence thereof, to apply for the issuance of the Letters of Credit, and to perform all of its obligations under the Credit Documents to which it is a party. Each Credit Document to which it is a party has been duly authorized, executed and delivered by the Borrower and constitutes valid and binding obligations of the Borrower enforceable in accordance with its terms. No Credit Document, nor the performance or observance by the Borrower of any of the matters or things therein provided for, contravenes any provision of law or any charter or by-law provision of the Borrower or any material Contractual Obligation of or affecting the Borrower or any of its Properties or results in or requires the creation or imposition of any Lien on any of the Properties or revenues of the Borrower.

Section 5.4. Financial Statements. All financial statements heretofore delivered to the Banks showing historical performance of the Borrower for each of the Borrower's fiscal years ending on or before December 31, 1995, and for the Borrower's quarter ended September 30, 1996 have been prepared in accordance with generally accepted accounting principles applied on a basis consistent, except as otherwise noted therein, with that of the previous fiscal year. Each of such financial statements fairly presents on a consolidated basis the financial condition of the Borrower and its Subsidiaries as of the dates

thereof and the results of operations for the periods covered thereby. The Borrower and its Subsidiaries have no material contingent liabilities other than those disclosed in such financial statements referred to in this Section 5.4 or in comments or footnotes thereto, or in any report supplementary thereto, heretofore furnished to the Banks. Since December 31, 1995, there has been no material adverse change in the business, operations, Property or financial or other condition, or business prospects, of the Borrower or any of its Subsidiaries.

Section 5.5. No Litigation; No Labor Controversies. (a) Except as set forth on Schedule 5.5 (as amended from

time to time in accordance with the provisions hereof), there is no litigation or governmental proceeding pending, or to the knowledge of the Borrower, threatened, against the Borrower or any Subsidiary which, if adversely determined, could (individually or in the aggregate) have a Material Adverse Effect.

(b) Except as set forth on Schedule 5.5 (as amended from time to time in accordance with the provisions hereof), there are no labor controversies pending or, to the best knowledge of the Borrower, threatened against the Borrower or any Subsidiary which could have a Material Adverse Effect.

Section 5.6. Taxes. The Borrower and its Subsidiaries have filed all United States federal tax returns, and all other tax returns, required to be filed and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary, except such taxes, if any, as are being contested in good faith and for which adequate reserves have been provided. No notices of tax liens have been filed and no claims are being asserted concerning any such taxes, which liens or claims are material to the financial condition of the Borrower or any of its Subsidiaries (individually or in the aggregate). The charges, accruals and reserves on the books of the Borrower and its Subsidiaries for any taxes or other governmental charges are adequate.

Section 5.7. Approvals. Except as contemplated by Section 7.14, authorization, consent, license, exemption, filing or registration with any court or governmental department, agency or instrumentality, nor any approval or consent of the stockholders of the Borrower or any Subsidiary or from any other Person, is necessary to the valid execution, delivery or performance by the Borrower or any Subsidiary of any Credit Document to which it is a party.

Section 5.8. Validity of Notes. When executed, authenticated and delivered pursuant to the provisions of this Agreement against payment of the consideration therefor, the Notes will be duly issued and will constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with their terms, except for the effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the rights of creditors generally, and will rank pari passu

with all other outstanding unsecured indebtedness of the Borrower.

Section 5.9. ERISA. With respect to each Plan, the Borrower and each other member of the Controlled Group has fulfilled its obligations under the minimum funding standards of and is in compliance in all material respects with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and with the Code to the extent applicable to it and has not incurred any liability to the Pension Benefit Guaranty Corporation ("PBGC") or a Plan under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA. The Borrower does not have any contingent liabilities for any

post-retirement benefits under a Welfare Plan, other than liability for continuation coverage described in Part 6 of Title I of ERISA.

Section 5.10. Government Regulation. Neither the Borrower nor any Subsidiary is an "investment company" within the meaning of the Investment Company Act of 1940, as amended. Prior to the consummation of the Primergy Merger, no approvals by the SEC under the Public Utility Holding Company Act of 1935, as amended, are required in connection with the execution by the Borrower of the Credit Documents or the performance by the Borrower of any of the transactions contemplated thereby.

Section 5.11. Margin Stock; Use of Proceeds. Neither the Borrower nor any Subsidiary is engaged principally, or as one of its primary activities, in the business of extending credit for the purpose of purchasing or carrying margin stock ("margin stock" to have the same meaning herein as in Regulation U of the Board of Governors of the Federal Reserve System). The proceeds of the Loans and Letters of Credit are to be used solely for the purposes set forth in and permitted by Section 7.10. The Borrower will not use the proceeds of any Loan or Letter of Credit in a manner that violates any provision of Regulation U or X of the Board of Governors of the Federal Reserve System.

Section 5.12. Licenses and Authorizations; Compliance Laws. The Borrower and each of its Subsidiaries has all necessary licenses, permits and governmental authorizations to own and operate its Properties and to carry on its business as currently conducted and contemplated. The Borrower and each of its Subsidiaries is in compliance with

all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities except for any such law, regulation, ordinance or order which, the failure to comply therewith, could not reasonably expected to have a Material Adverse Effect.

Section 5.13. Ownership of Property; Liens. The Borrower and each Subsidiary has good title to or valid leasehold interests in all its Property. None of the Borrower's Property is subject to any Lien, except as permitted in Section 7.9.

Section 5.14. No Burdensome Restrictions; Compliance with Agreements. Neither the Borrower nor any Subsidiary is (a) party or subject to any law, regulation, rule or order, or any Contractual Obligation that (individually or in the aggregate) could have a Material Adverse Effect or (b) in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in, nor has any event occurred (and is continuing) that constitutes or would (whether or not with the giving of notice and/or with the passage of time and/or the fulfillment of any other requirement) constitute, to the knowledge of the Borrower, a default or any breach or failure to perform by the Borrower under any indenture, mortgage, loan agreement lease or other agreement or instrument to which it is a party, which default could have a Material Adverse Effect.

Section 5.15. Full Disclosure. All information heretofore furnished by the Borrower to the Agent or any Bank for purposes of or in connection with the Credit Documents or any transaction contemplated thereby is, and all such information hereafter furnished by the Borrower to the Agent or any Bank will be, true and accurate in all material respects and not misleading on the date as of which such information is stated or certified.

SECTION 6. CONDITIONS PRECEDENT.

The obligation of each Bank to advance, continue, or convert any Loan, or of the Agent to issue, extend the expiration date (including by not giving notice of non-renewal) of or increase the amount of any Letter of Credit, shall be subject to the following conditions precedent:

Section 6.1. Initial Credit Event. Before or concurrently with the initial Credit Event:

(a) The Agent shall have received for each Bank the favorable written opinion of counsel to the Borrower in substantially the form attached hereto as Exhibit D hereto;

(b) The Agent shall have received for each Bank copies of (i) the Articles of Incorporation, together with all amendments, and a certificate of good standing, for the Borrower, both certified as of a date not earlier than 20 days prior to the date hereof by the appropriate governmental officer of the Borrower's jurisdiction of incorporation and (ii) the Borrower's bylaws (or comparable constituent documents) and any amendments thereto, certified in each instance by its Secretary or an Assistant Secretary;

(c) The Agent shall have received for each Bank copies of resolutions of the Borrower's Board of Directors authorizing the execution and delivery of the Credit Documents and the consummation of the transactions contemplated thereby together with specimen signatures of the persons authorized to execute such documents on the Borrower's behalf, all certified in each instance by its Secretary or Assistant Secretary;

(d) The Agent shall have received for each Bank such Bank's duly executed Note of the Borrower dated the date hereof and otherwise in compliance with the provisions of Section 2.10(a) hereof;

(e) The Agent shall have received for each Bank a list of the Borrower's Authorized Representatives and such other documents as any Bank may reasonably request;

(f) All legal matters incident to the execution and delivery of the Credit Documents shall be satisfactory to the Banks; and

(g) The Agent shall have received a certificate by the chief financial officer, treasurer, vice president of finance or corporate controller of the Borrower, stating that on the date of such initial

Credit Event no Default or Event of Default has occurred and is continuing.

Section 6.2. All Credit Events. As of the time of each Credit Event hereunder (including the initial Credit Event):

(a) In the case of a Borrowing, the Agent shall have received the notice required by Section 2.5 hereof, in the case of the issuance of any Letter of Credit, the Agent shall have received a duly completed Application for a Letter of Credit and, in the case of an extension or increase in the amount of a Letter of Credit, a written request therefor, in a form acceptable to the Agent;

(b) Each of the representations and warranties set forth in Section 5 hereof shall be and remain true and correct in all material respects as of said time, taking into account any amendments to such Section (including, without limitation, any amendments to the Schedules referenced therein) made after the date of this Agreement in accordance with its provisions, except that if any such representation or warranty relates solely to an earlier date it need only remain true as of such date;

(c) The Borrower shall be in full compliance with all of the terms and conditions hereof, and no Default or Event of Default shall have occurred and be continuing or would occur as a result of such Credit Event;

(d) No event of default by the Borrower has been declared and is continuing under any existing debt agreements; and

(e) Such Credit Event shall not violate any order, judgment or decree of any court or other authority or any provision of law or regulation applicable to any Bank (including, without limitation, Regulation U of the Board of Governors of the Federal Reserve System).

Each request for a Borrowing hereunder and each request for the issuance of, increase in the amount of, or extension of the expiration date of, a Letter of Credit

shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in paragraphs (b) and (c) of this Section 6.2, provided, that solely in the case of a Credit Event which is a continuation of a previous Borrowing, the Borrower shall not be deemed to have made any representation or warranty with regard to the matters set forth in Section 5.5(a) and (b) hereof.

SECTION 7. COVENANTS.

The Borrower covenants and agrees that, so long as any Loan or any L/C Obligation is outstanding hereunder, or any Commitment is available to or in use by the Borrower hereunder, except to the extent compliance in any case is waived in writing by the Required Banks:

Section 7.1. Corporate Existence; Subsidiaries. The Borrower shall, and shall cause each of its Subsidiaries to, preserve and maintain its corporate existence, subject to the provisions of Section 7.11 hereof.

Section 7.2. Maintenance. The Borrower will maintain, preserve and keep its plants, Properties and equipment necessary to the proper conduct of its business in reasonably good repair, working order and condition and will from time to time make all reasonably necessary repairs, renewals, replacements, additions and betterments thereto so that at all times such plants, Properties and equipment shall be reasonably preserved and maintained, and the Borrower will cause each of its Subsidiaries to do so in respect of Property owned or used by it; provided, however, that nothing in this Section 7.2 shall prevent the Borrower or a Subsidiary from discontinuing the operation or maintenance of any such Properties if such discontinuance is not disadvantageous to the Banks or the holders of the Notes, and is, in the judgment of the Borrower, desirable in the conduct of its business or the business of its Subsidiary.

Section 7.3. Taxes. The Borrower will duly pay and discharge, and will cause each of its Subsidiaries duly to pay and discharge, all taxes, rates, assessments, fees and governmental charges upon or against it or against its Properties, in each case before the same becomes delinquent and before penalties accrue thereon, unless and to the extent that the same is being contested in good faith by

appropriate proceedings and reserves in conformity with GAAP have been provided therefor on the books of the Borrower.

Section 7.4. ERISA. The Borrower will promptly pay and discharge all obligations and liabilities arising under ERISA of a character which if unpaid or unperformed might result in the imposition of a Lien against any of its properties or assets and will promptly notify the Agent of (i) the occurrence of any reportable event (as defined in ERISA) affecting a Plan, other than any such event of which the PBGC has waived notice by regulation, (ii) receipt of any notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, (iii) its intention to terminate or withdraw from any Plan, and (iv) the occurrence of any event affecting any Plan which could result in the incurrence by the Borrower of any material liability, fine or penalty, or any material increase in the contingent liability of the Borrower under any post-retirement Welfare Plan benefit. The Agent will promptly distribute to each Bank any notice it receives from the Borrower pursuant to this Section 7.4.

Section 7.5. Insurance. The Borrower will insure, and keep insured, and will cause each of its Subsidiaries to insure, and keep insured, with good and responsible insurance companies, all insurable Property owned by it of a character usually insured by companies similarly situated and operating like Property. To the extent usually insured (subject to self-insured retentions) by companies similarly situated and conducting similar businesses, the Borrower will also insure, and cause each of its Subsidiaries to insure, employers' and public and product liability risks with good and responsible insurance companies. The Borrower will upon request of the Agent furnish to the Agent a summary setting forth the nature and extent of the insurance maintained pursuant to this Section 7.5.

Section 7.6. Financial Reports and Other Information. (a) The Borrower will maintain a system of accounting in accordance with GAAP and will furnish to the Banks and their respective duly authorized representatives such information respecting the business and financial condition of the Borrower and its subsidiaries as any Bank may reasonably request; and without any request, the Borrower will furnish each of the following to each Bank:

(i) within 120 days after the end of each fiscal year of the Borrower, (A) a copy of the Borrower's audited financial statements for such fiscal year, including the consolidated balance sheet of the Borrower for such year and the related statement of income and statement of cash flow, as certified by independent public accountants of recognized national standing selected by the Borrower in accordance with GAAP with such accountants' unqualified opinion to the effect that the financial statements have been prepared in accordance with GAAP and present fairly in all material respects in accordance with GAAP the consolidated financial position of the Borrower and its subsidiaries as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, such examination included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances; (B) a copy of the Borrower's unaudited consolidating financials for such fiscal year, including a consolidating unaudited balance sheet of the Borrower, and the related statement of income and shall use its best efforts to provide a statement of cash flow in a format acceptable to the Agent; all of the foregoing prepared by the Borrower in reasonable detail in accordance with GAAP and certified by the Borrower's chief financial officer, vice president of finance or corporate controller as fairly presenting the financial condition as at the dates thereof and the results of operations for the periods covered thereby;

(ii) within 60 days after the end of each of the first three quarterly fiscal periods of the Borrower, a condensed consolidated unaudited balance sheet of the Borrower, and the related statement of

income and statement of cash flow, as of the close of such period, all of the foregoing prepared by the Borrower in reasonable detail in accordance with GAAP and certified by the Borrower's chief financial officer, vice president of finance or corporate controller as fairly presenting the financial condition as at the dates thereof and the results of operations for the periods covered thereby;

(iii) within the period provided in subsection (i) above, the written statement of the accountants who certified the audit report thereby required that in the course of their audit they have obtained no knowledge of any Default or Event of Default, or, if such accountants have obtained knowledge of any such Default or Event of Default, they shall disclose in such statement the nature and period of the existence thereof;

(iv) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports the Borrower sends to its shareholders, and copies of all other regular, periodic and special reports and all registration statements the Borrower files with the SEC or any successor thereto, or with any national securities exchanges.

(b) Each financial statement furnished to the Banks pursuant to subsection (i) or (ii) of this Section 7.6 shall be accompanied by (A) a written certificate signed by the Borrower's chief financial officer, vice president of finance, or corporate controller to the effect that (i) no Default or Event of Default has occurred during the period covered by such statements or, if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by the Borrower to remedy the same, (ii) the representations and warranties contained in Section 5 hereof are true and correct in all material respects as though made on the date of such certificate (other than those made solely as of an earlier date, which need only remain true as of such date), taking into account any amendments to such Section (including, without limitation, any amendments to the Schedules referenced therein) made after the date of this Agreement in accordance with its provisions and except as otherwise described therein, and (B) a Compliance Certificate in the form of Exhibit C hereto showing the Borrower's compliance with the covenants set forth in Sections 7.9, 7.11, 7.12 and 7.13 hereof.

(c) The Borrower will promptly (and in any event within three Business Days after an officer of the Borrower has knowledge thereof) give notice to the Agent and each Bank:

(i) of the occurrence of any Default or Event of Default;

(ii) of any payment default or payment event of default aggregating $20,000,000 or more under any Contractual Obligation of the Borrower;

(iii) of any material adverse change in the business, operations, Property or financial or other condition of the Borrower and its Subsidiaries (individually or in the aggregate);

(iv) of any litigation or governmental proceeding of the type described in Section 5.5 hereof; and

(v) of any change in the information set forth on the Schedules hereto.

Section 7.7. Bank Inspection Rights. Upon reasonable notice from any Bank, the Borrower will, at the Borrower's expense, (such expenses to be reasonably incurred) permit such Bank (and such Persons as any Bank may designate) during normal business hours to visit and inspect, under the Borrower's guidance, any of the properties of the Borrower or any of its Subsidiaries, to examine all of their books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, employees and with their independent public accountants (and by this provision the Borrower authorizes such accountants to discuss with the Banks (and such Persons as any Bank may designate subject to confidentiality agreements reasonably acceptable to the Borrower) the finances and affairs of the Borrower and its Subsidiaries) all at such reasonable times and as often as may be reasonably requested; provided, however, that except upon the occurrence and during the continuation of any Default or Event of Default, not more than one such set of visits and inspections may be conducted each calendar quarter.

Section 7.8. Conduct of Business. The Borrower will not engage in any line of business other than business associated with or related to energy generation, transmission and distribution or other infrastructure lines of business.

Section 7.9. Liens. The Borrower will not create, incur, permit to exist or to be incurred any Lien of any kind on any Property owned by the Borrower; provided, however, that this Section 7.9 shall not apply to nor operate to prevent:

(a) Liens upon any Property acquired by the Borrower to secure any Indebtedness of the Borrower incurred at the time of the acquisition of such Property to finance the purchase price of such Property, provided that any such Lien shall apply only to the Property that was so acquired and the aggregate principal amount of Indebtedness secured by such Liens shall not exceed the cost or value of the acquired Property;

(b) Liens existing on the date hereof and listed on Schedule 7.9 hereto which were in existence as of the date of issue of the Borrower's 7.625% senior notes due 2006;

(c) Other liens not to exceed 10% of Consolidated Net Tangible Assets; and

(d) Any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing paragraphs (a) through (c), inclusive.

Section 7.10. Use of Proceeds; Regulation U. The proceeds of each Borrowing, and the credit provided by Letters of Credit, will be used by the Borrower for working capital, issuance of letters of credit and general corporate purposes. The Borrower will not use any part of the proceeds of any of the Borrowings or of the Letters of Credit directly or indirectly to purchase or carry any margin stock (as defined in Section 5.1 hereof) or to extend credit to others for the purpose of purchasing or carrying any such margin stock.

Section 7.11. Mergers, Consolidations and Sales of Assets.

(a) The Borrower will not consolidate with or merge into any other Person or sell, convey, transfer or lease its properties and assets substantially as an entirety to any Person, and the Borrower shall not

permit any Person to consolidate with or merge into the Borrower, unless: (i) immediately prior to and immediately following such consolidation, merger, sale or lease, and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing; and (ii) the Borrower is the surviving or continuing corporation, or the surviving or continuing corporation that acquires by sale, conveyance, transfer or lease is incorporated in the United States or Canada and expressly assumes the payment and performance of all Obligations of the Borrower under the Credit Documents.

(b) Except for the sale of the properties and assets of the Borrower substantially as an entirety pursuant to subsection (a) above, and other than assets required to be sold to conform with governmental regulations, the Borrower shall not sell or otherwise dispose of any assets (other than short-term, readily marketable investments purchased for cash management purposes with funds not representing the proceeds of other asset sales) if on a pro forma basis, the aggregate net book value of all such sales during the most recent 12-month period would exceed 10 percent of Consolidated Net Tangible Assets computed as of the end of the most recent fiscal quarter preceding such sale; provided, however, that any such sales shall be disregarded for purposes of this 10 percent limitation if the proceeds are invested in assets in similar or related lines of business of the Borrower and, provided further, that the Borrower may sell or otherwise dispose of assets in excess of such 10 percent if the proceeds from such sales or dispositions, which are not reinvested as provided above, are retained by the Borrower as cash or cash equivalents.

Section 7.12. Consolidated Tangible Net Worth. (a) The Borrower will at all times maintain a ratio of Consolidated Tangible Net Worth to Consolidated Capitalization of at least 0.32 to 1.00, and (b) the Borrower will at all times cause its Consolidated Tangible Net Worth to be equal to or greater than the Minimum Consolidated Tangible Net Worth.

Section 7.13. Compliance with Laws. Without limiting any of the other covenants of the Borrower in this Section 7, the Borrower will conduct its business, and otherwise

be, in compliance with all applicable laws, regulations, ordinances, writs, judgments, injunctions, decrees, awards and orders of any governmental or judicial authorities; provided, however, that the Borrower shall not be required to comply with any such law, rule, regulation, ordinance, writ, judgments, injunction, decree, award or order if the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

Section 7.14. PUHCA. From and after the consummation of the Primergy Merger, the Borrower will obtain, or cause to be obtained, all necessary approvals, if any, under the Public Utility Holding Company Act of 1935, as amended, in connection with the Borrower's performance under the Credit Documents.

SECTION 8. EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default. Any one or more of the following shall constitute an Event of Default:

(a) The Borrower shall (i) fail to make when due any payment of principal on the Notes, or (ii) fail to make when due, and continuance of such failure for three or more Business Days, payment of interest on the Notes or any fee or other amount required to be made to the Agent pursuant to the Credit Documents;

(b) Any representation or warranty made or deemed to have been made by or on behalf of the Borrower in the Credit Documents or on behalf of the Borrower in any certificate, statement, report or other writing furnished by or on behalf of the Borrower to the Agent pursuant to the Credit Documents or any other instrument, document or agreement shall prove to have been false or misleading in any material respect on the date as of which the facts set forth are stated or certified or deemed to have been stated or certified;

(c) The Borrower shall fail to comply with Section 7 hereof and such failure to comply shall continue for 30 calendar days after notice thereof to the Borrower by the Agent;

(d) The Borrower shall fail to comply with any agreement, covenant, condition, provision or term con-

tained in the Credit Documents (and such failure shall not constitute an Event of Default under any of the other provisions of this Section 8) and such failure to comply shall continue for 30 calendar days after notice thereof to the Borrower by the Agent;

(e) The Borrower shall become insolvent or shall generally not pay its debts as they mature or shall apply for, shall consent to, or shall acquiesce in the appointment of a custodian, trustee or receiver of the Borrower or for a substantial part of the property thereof or, in the absence of such application, consent or acquiescence, a custodian, trustee or receiver shall be appointed for the Borrower or for a substantial part of the property thereof and shall not be discharged within 90 days;

(f) Any bankruptcy, reorganization, debt arrangement or other proceedings under any bankruptcy or insolvency law shall be instituted by or against the Borrower, and, if instituted against the Borrower, shall have been consented to or acquiesced in by the Borrower, or shall remain undismissed for 90 days, or an order for relief shall have been entered against the Borrower, or the Borrower shall take any corporate action to approve institution of, or acquiescence in, such a proceeding;

(g) Any dissolution or liquidation proceeding shall be instituted by or against the Borrower and, if instituted against the Borrower, shall be consented to or acquiesced in by the Borrower or shall remain for 90 days undismissed, or the Borrower shall take any corporate action to approve institution of, or acquiescence in, such a proceeding;

(h) A judgment or judgments, decrees or orders of any court, tribunal, arbitrator, administrative or other governmental body or entity for the payment of money in excess of the sum of $20,000,000 in the aggregate shall be rendered against the Borrower (excluding the amount thereof covered by insurance) or any of the Borrower's properties and such judgment, decree or order shall remain unvacated and undischarged and unstayed for 90 consecutive days, except while being contested in good faith by appropriate proceedings;

(i) The institution by the Borrower of steps to terminate any Plan if in order to effectuate such termination, the Borrower would be required to make a contribution to such Plan, or would incur a liability or obligation to such Plan, in excess of $20,000,000, or the institution by the PBGC of steps to terminate any Plan;

(j) A default in payment of any principal of or any interest aggregating $20,000,000 or more on any bond, debenture, note or other evidence of indebtedness of the Borrower or under any indenture or other instrument under which any such evidence of indebtedness has been issued or by which it is governed that has resulted in the acceleration of such indebtedness; or

(k) if at any time Northern States Power Company, a Minnesota corporation, or its successors, ceases to own a majority of the outstanding Voting Stock of the Borrower. For purposes of this subsection (k), Northern States Power Company's "successors" shall be deemed to include the "Company" as that term is defined in the Amended and Restated Agreement and Plan of Merger dated as of April 28, 1995, as amended and restated as of July 26, 1995, between Northern States Power Company and Wisconsin Energy Corporation, a Wisconsin corporation.

Section 8.2. Non-Bankruptcy Defaults. When any Event of Default other than those described in subsections (e) or (f) of Section 8.1 hereof has occurred and is continuing, the Agent shall, by written notice to the Borrower: (a) if so directed by the Required Banks, terminate the remaining Commitments and all other obligations of the Banks hereunder on the date stated in such notice (which may be the date thereof); (b) if so directed by the Required Banks, declare the principal of and the accrued interest on all outstanding Notes to be forthwith due and payable and thereupon all outstanding Notes, including both principal and interest thereon, shall be and become immediately due and payable together with all other amounts payable under the Credit Documents without further demand, presentment, protest or notice of any kind; and (c) if so directed by the Required Banks, demand that the Borrower immediately pay to the Agent, subject to Section 8.4, the full amount then available for drawing under each or any Letter of

Credit, and the Borrower agrees to immediately make such payment and acknowledges and agrees that the Banks would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Agent, for the benefit of the Banks, shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any Letter of Credit. The Agent, after giving notice to the Borrower pursuant to Section 8.1(c), 8.1(d) or this Section 8.2, shall also promptly send a copy of such notice to the other Banks, but the failure to do so shall not impair or annul the effect of such notice.

Section 8.3. Bankruptcy Defaults. When any Event of Default described in subsections (e) or (f) of Section 8.1 hereof has occurred and is continuing, then all outstanding Notes shall immediately become due and payable together with all other amounts payable under the Credit Documents without presentment, demand, protest or notice of any kind, the obligation of the Banks to extend further credit pursuant to any of the terms hereof shall immediately terminate and the Borrower shall immediately pay to the Agent, subject to Section 8.4, the full amount then available for drawing under all outstanding Letters of Credit, the Borrower acknowledging that the Banks would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Banks, and the Agent on their behalf, shall have the right to require the Borrower to specifically perform such undertaking whether or not any draws or other demands for payment have been made under any of the Letters of Credit.

Section 8.4. Collateral for Undrawn Letters of Credit. (a) If the payment or prepayment of the amount available for drawing under any or all outstanding Letters of Credit is required under Section 2.8(b) or under Section 8.2 or 8.3 above, the Borrower shall forthwith pay the amount required to be so prepaid, to be held by the Agent as provided in subsection (b) below.

(b) All amounts prepaid pursuant to subsection (a) above shall be held

by the Agent in a separate collateral account (such account, and the credit balances, properties and any investments from time to time held therein, and any substitutions for such account, any certificate of deposit or other instrument evidencing any of the foregoing and all

proceeds of and earnings on any of the foregoing being collectively called the "Account") as security for, and for application by the Agent (to the extent available) to, the reimbursement of any payment under any Letter of Credit then or thereafter made by the Agent, and to the payment of the unpaid balance of any Loans and all other Obligations. The Account shall be held in the name of and subject to the exclusive dominion and control of the Agent for the benefit of the Agent and the Banks. If and when requested by the Borrower, the Agent shall invest funds held in the Account from time to time in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America with a remaining maturity of one year or less, provided that the Agent is irrevocably authorized to sell investments held in the Account when and as required to make payments out of the Account for application to amounts due and owing from the Borrower to the Agent or Banks; provided, however, that if (i) the Borrower shall have made payment of all such obligations referred to in subsection (a) above, (ii) all relevant preference or other disgorgement periods relating to the receipt of such payments have passed, and (iii) no Letters of Credit, Commitments, Loans or other Obligations remain outstanding hereunder, then the Agent shall repay to the Borrower any remaining amounts held in the Account.

Section 8.5. Notice of Default. The Agent shall give notice to the Borrower under Section 8.1(c) or 8.1(d) hereof promptly upon being requested to do so by any Bank and shall thereupon notify all the Banks thereof.

Section 8.6. Expenses. The Borrower agrees to pay to the Agent and each Bank, and any other holder of any Note outstanding hereunder, all reasonable costs and expenses incurred or paid by the Agent or such Bank or any such holder, including attorneys' fees and court costs, in connection with any Default or Event of Default by the Borrower hereunder or in connection with the enforcement of any of the Credit Documents.

SECTION 9. CHANGE IN CIRCUMSTANCES.

Section 9.1. Change of Law. Notwithstanding any other provisions of this Agreement or any Note if at any time after the date hereof any change in applicable law or regulation or in the interpretation thereof makes it unlawful for any Bank to make or continue to maintain

Eurocurrency Loans or to perform its obligations as contemplated hereby, such Bank shall promptly give notice thereof to the Borrower and such Bank's obligations to make or maintain Eurocurrency Loans under this Agreement shall terminate until it is no longer unlawful for such Bank to make or maintain Eurocurrency Loans. The Borrower shall prepay on demand the outstanding principal amount of any such affected Eurocurrency Loans, together with all interest accrued thereon at a rate per annum equal to the interest rate applicable to such Loan; provided, however, subject to all of the terms and conditions of this Agreement, the Borrower may then elect to borrow the principal amount of the affected Eurocurrency Loans from such Bank by means of Base Rate Loans from such Bank, which Base Rate Loans shall not be made ratably by the Banks but only from such affected Bank.

Section 9.2. Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR. If on or prior to the first day of any Interest Period for any Borrowing of Eurocurrency Loans:

(a) the Agent determines that deposits in U.S. Dollars (in the applicable amounts) are not being offered to it in the eurocurrency interbank market for such Interest Period, or that by reason of circumstances affecting the interbank eurocurrency market adequate and reasonable means do not exist for ascertaining the applicable LIBOR; or

(b) Banks having 25% or more of the aggregate amount of the Revolving Credit Commitments reasonably determine and so advise the Agent that LIBOR as reasonably determined by the Agent will not adequately and fairly reflect the cost to such Banks or Bank of funding their or its Eurocurrency Loans or Loan for such Interest Period;

then the Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks or of the relevant Bank to make Eurocurrency Loans in the currency so affected shall be suspended.

Section 9.3. Increased Cost and Reduced Return. (a) If, on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive (whether or not having the force of law but, if not having the force of law, compliance with which is customary in the relevant jurisdiction) of any such authority, central bank or comparable agency:

(i) shall subject any Bank (or its Lending Office) to any tax, duty or other charge with respect to its Eurocurrency Loans, its Notes, its Letter(s) of Credit, or its participation in any thereof, any Reimbursement Obligations owed to it or its obligation to make Eurocurrency Loans, issue a Letter of Credit, or to participate therein, or shall change the basis of taxation of payments to any Bank (or its Lending Office) of the principal of or interest on its Eurocurrency Loans, Letter(s) of Credit, or participations therein or any other amounts due under this Agreement in respect of its Eurocurrency Loans, Letter(s) of Credit, or participations therein, any Reimbursement Obligations owed to it, or its obligation to make Eurocurrency Loans, issue a Letter of Credit, or acquire participations therein (except for changes in the rate of tax on the overall net income or profits of such Bank or its Lending Office imposed by the jurisdiction in which such Bank or its lending office is incorporated in which such Bank's principal executive office or Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Eurocurrency Loans any such requirement included in an applicable Eurocurrency Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Lending Office) or shall impose on any Bank (or its Lending Office) or on the interbank market any other condition affecting its Eurocurrency Loans, its Notes, its Letter(s) of

Credit, or its participation in any thereof, any Reimbursement

Obligation owed to it, or its obligation to make Eurocurrency Loans, to issue a Letter of Credit, or to participate therein; and the result of any of the foregoing is to increase the cost to such Bank (or its Lending Office) of making or maintaining any Eurocurrency Loan, issuing or maintaining a Letter of Credit, or participating therein, or to reduce the amount of any sum received or receivable by such Bank (or its Lending Office) under this Agreement or under its Notes with respect thereto, by an amount deemed by such Bank to be material, then, within fifteen (15) days after demand by such Bank (with a copy to the Agent), the Borrower shall be obligated to pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction. In the event any law, rule, regulation or interpretation described above is revoked, declared invalid or inapplicable or is otherwise rescinded, and as a result thereof a Bank is determined to be entitled to a refund from the applicable authority for any amount or amounts which were paid or reimbursed by Borrower to such Bank hereunder, such Bank shall refund such amount or amounts to Borrower without interest.

(b) If, after the date hereof, any Bank or the Agent shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital rules heretofore adopted and issued by any governmental authority), or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law but, if not having the force of law, compliance with which is customary in the applicable jurisdiction) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital, or on the capital of any corporation controlling such Bank, as a consequence of its obligations hereunder to a level below

that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to the Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction.

(c) Each Bank that determines to seek compensation under this Section 9.3 shall notify the Borrower and the Agent of the circumstances that entitle the Bank to such compensation pursuant to this Section 9.3 and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section 9.3 and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

(d) If any Bank (other than ABN AMRO Bank N.V.) has demanded compensation or given notice of its intention to demand compensation under this Section 9.3 or the Borrower is required to pay any additional amount to any Bank under Section 9.3, the Borrower shall have the right, with the assistance of the Agent, to seek a substitute Bank or Banks reasonably satisfactory to the Agent (which may be one or more of the Banks) to replace such Bank under this Agreement. The Bank to be so replaced shall cooperate with the Borrower and substitute Bank to accomplish such substitution, provided that all of such Bank's Loan Commitment is replaced.

Section 9.4. Lending Offices. Each Bank may, at its option, elect to make its Loans hereunder at the branch, office or affiliate specified on the appropriate signature page hereof or in the assignment agreement which any assignee bank executes pursuant to Section 11.12 hereof (each a "Lending Office") for each type of Loan available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to the Borrower and the Agent.

Section 9.5. Discretion of Bank as to Manner of Funding. Notwithstanding any other provision of this Agreement, each Bank shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if each Bank had actually funded and maintained each Eurocurrency Loan through the purchase of deposits of U.S. Dollars in the eurocurrency interbank market having a maturity corresponding to such Loan's Interest Period and bearing an interest rate equal to LIBOR for such Interest Period.

SECTION 10. THE AGENT.

Section 10.1. Appointment and Authorization of Agent. Each Bank hereby appoints ABN AMRO Bank N.V. as the Agent under the Credit Documents and hereby authorizes the agent to take such action as Agent on its behalf and to exercise such powers under the Credit Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto. The relationship between the Agent and the Banks is and shall be that of agent and principal only, and nothing contained in this Agreement or any other Credit Document shall be construed to constitute the Agent as a trustee or fiduciary for any Bank or the Borrower.

Section 10.2. Agent and its Affiliates. The Agent shall have the same rights and powers under this Agreement and the other Credit Documents as any other Bank and may exercise or refrain from exercising the same as though it were not the Agent, and the Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Affiliate of the Borrower as if it were not the Agent under the Credit Documents. The term "Bank" as used herein and in all other Credit Documents, unless the context otherwise clearly requires, includes the Agent in its individual capacity as a Bank. References in Section 2 hereof to the Agent's Loans, or to the amount owing to the Agent for which an interest rate is being determined, refer to the Agent in its individual capacity as a Bank.

Section 10.3. Action by Agent. If the Agent receives from the Borrower a written notice of an Event of Default pursuant to Section 7.6(c)(i) hereof, the Agent shall

promptly give each of the Banks written notice thereof. The obligations of the Agent under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Agent shall not be required to take any action hereunder with respect to any Default or Event of Default, except as expressly provided in Sections 8.2 and 8.5. In no event, however, shall the Agent be required to take any action in violation of applicable law or of any provision of any Credit Document, and the Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it shall be first indemnified to its reasonable satisfaction by the Banks against any and all costs, expense, and liability which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall be entitled to assume that no Default or Event of Default exists unless notified to the contrary by a Bank or the Borrower. In

all cases in which this Agreement and the other Credit Documents do not require the Agent to take certain actions, the Agent shall be fully justified in using its discretion in failing to take or in taking any action hereunder and thereunder.

Section 10.4. Consultation with Experts. The Agent may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 10.5. Liability of Agent; Credit Decision. Neither the Agent nor any of its directors, officers, agents, or employees shall be liable for any action taken or not taken by it in connection with the Credit Documents (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify: (i) any statement, warranty or representation made in connection with this Agreement, any other Credit Document or any Credit Event; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any other party contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Section 6 hereof, except receipt of items required to be delivered to the Agent; or (iv) the

validity, effectiveness, genuineness, enforceability, perfection, value, worth or collectability hereof or of any other Credit Document or of any other documents or writing furnished in connection with any Credit Document; and the Agent makes no representation of any kind or character with respect to any such matter mentioned in this sentence. The Agent may execute any of its duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Banks, the Borrower, or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Agent shall have no responsibility for confirming the accuracy of any Compliance Certificate or other document or instrument received by it under the Credit Documents. The Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with the Agent signed by such payee in form satisfactory to the Agent. Each Bank acknowledges that it has independently and without reliance on the Agent or any other Bank, and based upon such information, investigations and inquiries as it deems appropriate, made its own credit analysis and decision to extend credit to the Borrower in the manner set forth in the Credit Documents. It shall be the responsibility of each Bank to keep itself informed as to the creditworthiness of the Borrower and any other relevant Person, and the Agent shall have no liability to any Bank with respect thereto.

Section 10.6. Indemnity. The Banks shall ratably, in accordance with their respective Percentages, indemnify and hold the Agent, and its directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent they are promptly reimbursed for the same by the Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to be indemnified. The obligations of the Banks under this Section 10.6 shall survive termination of this Agreement.

Section 10.7. Resignation of Agent and Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Borrower. Upon any such resignation of the Agent, the Required Banks shall have the right to appoint a successor Agent with the consent of the Borrower. If no successor Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within thirty (30) days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, with the consent of the Borrower, appoint a successor Agent, which shall be any Bank hereunder or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $200,000,000. Upon the acceptance of its appointment as the Agent hereunder, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring or removed Agent under the Credit Documents, and the retiring Agent shall be discharged from its duties and obligations thereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 10 and all protective provisions of the other Credit Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

SECTION 11. MISCELLANEOUS.

Section 11.1. Withholding Taxes. (a) Payments Free of Withholding. Subject to Section 11.1(b) hereof, each payment by the Borrower under this Agreement or the other Credit Documents shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes on the recipient). If any such withholding is so required, the Borrower shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Bank and the Agent free and clear of such taxes (including such taxes on such additional amount) is equal to the amount which that Bank or the Agent (as the case may be) would have received had such withholding not been made. If the Agent or any Bank pays any amount in respect of any such taxes, penalties or interest the Borrower shall reimburse the Agent or that Bank for that payment on demand in the currency in which such

payment was made. If the Borrower pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing that payment or certified copies thereof to the Bank or Agent on whose account such withholding was made (with a copy to the Agent if not the recipient of the original) on or before the thirtieth day after payment. If any Bank or the Agent determines it has received or been granted a credit against or relief or remission for, or repayment of, any taxes paid or payable by it because of any taxes, penalties or interest paid by the Borrower and evidenced by such a tax receipt, such Bank or Agent shall, to the extent it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Borrower such amount as such Bank or Agent determines is attributable to such deduction or withholding and which will leave such Bank or Agent (after such payment) in no better or worse position than it would have been in if the Borrower had not been required to make such deduction or withholding. Nothing in this Agreement shall interfere with the right of each Bank and the Agent to arrange its tax affairs in whatever manner it thinks fit nor oblige any Bank or the Agent to disclose any information relating to its tax affairs or any computations in connection with such taxes.

(b) U.S. Withholding Tax Exemptions. Each Bank that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Agent on or before the earlier of the date the initial Borrowing is made hereunder and thirty (30) days after the date hereof, two duly completed and signed copies of either Form 1001 (relating to such Bank and entitling it to a complete exemption from withholding under the Code on all amounts to be received by such Bank, including fees, pursuant to

the Credit Documents and the Loans) or Form 4224 (relating to all amounts to be received by such Bank, including fees, pursuant to the Credit Documents and the Loans) of the United States Internal Revenue Service. Thereafter and from time to time, each Bank shall submit to the Borrower and the Agent such additional duly completed and signed copies of one or the other of such Forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be (i) requested by the Borrower in a written notice, directly or through the Agent, to such Bank and (ii) required under then-current United States law or regulations to avoid or reduce United States withholding

taxes on payments in respect of all amounts to be received by such Bank, including fees, pursuant to the Credit Documents or the Loans.

(c) Inability of Bank to Submit Forms. If any Bank determines, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation thereof, that it is unable to submit to the Borrower or Agent any form or certificate that such Bank is obligated to submit pursuant to subsection (b) of this Section 11.1 or that such Bank is required to withdraw or cancel any such form or certificate previously submitted or any such form or certificate otherwise becomes ineffective or inaccurate, such Bank shall promptly notify the Borrower and Agent of such fact and the Bank shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

Section 11.2. No Waiver of Rights. No delay or failure on the part of the Agent or any Bank or on the part of the holder or holders of any Note in the exercise of any power or right under any Credit Document shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other power or right, and the rights and remedies hereunder of the Agent, the Banks and the holder or holders of any Notes are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

Section 11.3. Non-Business Day. If any payment of principal or interest on any Loan or of any other Obligation shall fall due on a day which is not a Business Day, interest or fees (as applicable) at the rate, if any, such Loan or other Obligation bears for the period prior to maturity shall continue to accrue on such Obligation from the stated due date thereof to and including the next succeeding Business Day, on which the same shall be payable.

Section 11.4. Documentary Taxes. The Borrower agrees that it will pay any documentary, stamp or similar taxes payable in respect to any Credit Document, including interest and penalties, in the event any such taxes are assessed, irrespective of when such assessment is made and

whether or not any credit is then in use or available hereunder.

Section 11.5. Survival of Representations. All representations and warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

Section 11.6. Survival of Indemnities. All indemnities and all other provisions relative to reimbursement to the Banks of amounts sufficient to protect the yield of the Banks with respect to the Loans, including, but not limited to, Section 2.11, Section 9.3 and Section 11.15 hereof, shall survive the termination of this Agreement and the other Credit Documents and the

payment of the Loans and all other Obligations.

Section 11.7. Set-Off. (a) In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, each Bank and each subsequent holder of any Note is hereby authorized by the Borrower at any time or from time to time, without notice to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, and in whatever currency denominated) and any other Indebtedness at any time held or owing by that Bank or that subsequent holder to or for the credit or the account of the Borrower, whether or not matured, against and on account of the obligations and liabilities of the Borrower to that Bank or that subsequent holder under the Credit Documents, including, but not limited to, all claims of any nature or description arising out of or connected with the Credit Documents, irrespective of whether or not (a) that Bank or that subsequent holder shall have made any demand hereunder or (b) the principal of or the interest on the Loans or Notes and other amounts due hereunder shall have become due and payable pursuant to Section 8 and although said obligations and liabilities, or any of them, may be contingent or unmatured.

(b) Each Bank agrees with each other Bank a party hereto that if such Bank shall receive and retain any payment, whether by set-off or application of deposit balances or otherwise, on any of the Loans or Reimbursement Obligations in excess of its ratable share of payments on all such obligations then outstanding to the Banks, then such Bank shall purchase for cash at face value, but without recourse, ratably from each of the other Banks such amount of the Loans or Reimbursement Obligations, or participations therein, held by each such other Banks (or interest therein) as shall be necessary to cause such Bank to share such excess payment ratably with all the other Banks; provided, however, that if any such purchase is made by any Bank, and if such excess payment or part thereof is thereafter recovered from such purchasing Bank, the related purchases from the other Banks shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest. For purposes of this Section 11.7(b), amounts owed to or recovered by, the Agent in connection with Reimbursement Obligations in which Banks have been required to fund their participation shall be treated as amounts owed to or recovered by the Agent as a Bank hereunder.

Section 11.8. Notices. Except as otherwise specified herein, all notices under the Credit Documents shall be in writing (including telecopy or other electronic communication) and shall be given to a party hereunder at its address or telecopier number set forth below or such other address or telecopier number as such party may hereafter specify by notice to the Agent and the Borrower, given by courier, by United States certified or registered mail, or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices under the Credit Documents to the Banks shall be addressed to their respective addresses, telecopier or telephone numbers set forth on the signature pages hereof or in the assignment agreement which any assignee bank executes pursuant to Section 11.12 hereof, and to the Borrower and to the Agent to:

If to the Borrower:

NRG Energy, Inc.
1221 Nicollet Mall
Suite 700
Minneapolis, MN 55403-2445

Attention: Treasurer
Facsimile: (612) 373-5341
Telephone: (612) 373-5306

If to the Agent:

ABN AMRO Bank
Agency Services
335 Madison Avenue
New York, New York 10017
Attention: Linda Boardman
Telecopy: (212) 682-0364
Telephone: (212) 370-8509

With copies to:

ABN AMRO Bank
135 South LaSalle Street
Suite 711
Chicago, Illinois 60670
Attention: David B. Bryant/Kevin McFadden
Facsimile: (312) 904-6217
Telephone: (312) 904-2799/904-2131

ABN AMRO Bank
135 South LaSalle Street
Suite 625
Chicago, Illinois 60670
Attention: Tonda Hayes
Facsimile: (312) 606-8435
Telephone: (312) 904-2676

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section 11.8 or on the signature pages hereof and a confirmation of receipt of such telecopy has been received by the sender, (ii) if given by courier, when delivered, (iii) if given by mail, three business days after such communication is deposited in the mail, registered with return receipt requested, addressed as aforesaid or (iv) if given by any other means, when delivered at the addresses specified in this Section 11.8; provided that any notice given pursuant to Section 2 hereof shall be effective only upon receipt.

Section 11.9. Counterparts. This Agreement may be executed in any number of counterpart signature pages, and by the different parties on different counterparts, each of which when executed shall be deemed an original but all such counterparts taken together shall constitute one and the same instrument.

Section 11.10. Successors and Assigns. This Agreement shall be binding upon the Borrower and its successors and assigns, and shall inure to the benefit of each of the Banks and the benefit of their respective successors and assigns, including any subsequent holder of any Note. The Borrower may not assign any of its rights or obligations under any Credit Document without the written consent of all of the Banks.

Section 11.11. Participants and Note Assignees. Each Bank shall have the right at its own cost to grant participations (to be evidenced by one or more agreements or certificates of participation) in the Loans made, Revolving Credit Commitments held and/or participations in Letters of Credit, by such Bank at any time and from time to time, and to assign its rights under such Loans or the Note evidencing such Loans to a federal reserve bank; provided that (i) no such participation or assignment shall relieve any Bank of any of its obligations under this Agreement, (ii) no such assignee or participant

shall have any rights under this Agreement except as provided in this Section 11.11, and (iii) the Agent shall have no obligation or responsibility to such participant or assignee, except that nothing herein is intended to affect the rights of an assignee of a Note to enforce the Note assigned. Any party to which such a participation or assignment has been granted shall have the benefits of Section 2.11 and Section 9.3, but shall not be entitled to receive any greater payment under either such Section than the Bank granting such participation would have been entitled to receive in connection with the rights transferred. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder, including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement that would (A) increase any Revolving Credit

Commitment of such Bank if such increase would also increase the participant's obligations, (B) forgive any amount of or postpone the date for payment of any principal of or interest on any Loan or of any fee payable hereunder in which such participant has an interest or (C) reduce the stated rate at which interest or fees in which such participant has an interest accrue hereunder.

Section 11.12. Assignment of Commitments by Banks. Each Bank shall have the right at any time, with the written consent of the Borrower and Agent (which consent shall not be unreasonably withheld), to assign all or any part of its Revolving Credit Commitment (including the same percentage of its Note, outstanding Loans and participations in Letters of Credit) to one or more other Persons; provided that such assignment is in an amount of at least $10,000,000 or the entire Revolving Credit Commitment of such Bank, and if such assignment is not for such Bank's entire Revolving Credit Commitment then such Bank's Revolving Credit Commitment after giving effect to such assignment shall not be less than $10,000,000; and provided further that neither the consent of the Borrower nor of the Agent shall be required for any Bank to assign all or part of its Revolving Credit Commitment to any Affiliate of the assigning Bank. Each such assignment shall set forth the assignees address for notices to be given under Section 11.8 hereof hereunder and its designated Lending Office pursuant to Section 9.4 hereof. Upon any such assignment, delivery to the Agent of an executed copy of such assignment agreement and the forms referred to in Section 11.1 hereof, if applicable, and the payment of a $3,500 recordation fee to the Agent, the assignee shall become a Bank hereunder, all Loans, participations in Letters of Credit and the Revolving Credit Commitment it thereby holds shall be governed by all the terms and conditions hereof and the Bank granting such assignment shall have its Revolving Credit Commitment, and its obligations and rights in connection therewith, reduced by the amount of such assignment; provided, however, in the event a Bank assigns all of its Revolving Credit Commitment at the request of the Borrower, pursuant to Section 11.13(iii) below, no recordation fee shall be required hereunder.

Section 11.13. Amendments. Any provision of the Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a)

the Borrower, (b) the Required Banks, and (c) if the rights or duties of the Agent are affected thereby, the Agent; provided that:

(i) no amendment or waiver pursuant to this Section 11.13 shall (A) increase any Commitment of any Bank without the consent of such Bank or (B) reduce the amount of or postpone any fixed date for payment of any principal of or interest on any Loan or Reimbursement

Obligation or of any fee payable hereunder without the consent of each Bank;

(ii) no amendment or waiver pursuant to this Section 11.13 shall, unless signed by each Bank, change this Section 11.13, or the definition of Required Banks, or affect the number of Banks required to take any action under the Credit Documents; and

(iii) if the Borrower requests an amendment to this Agreement which requires the approval of all of the Banks and one of the Banks (a "Replaceable Bank") does not approve it, the Borrower may propose that another bank which is reasonably acceptable to the Agent (a "Replacement Bank") be substituted for and replace the Replaceable Bank for purposes of this Agreement. If a Replacement Bank is so substituted for the Replaceable Bank, the Replaceable Bank shall enter into an assignment agreement with the Replacement Bank, the Borrower and the Agent to assign and transfer to the Replacement Bank, the Replaceable Bank's Commitment hereunder; provided, however, if a Replacement Bank can't be found, then the Borrower may elect to take out the Replaceable Bank and reduce the facility accordingly by making a prepayment in the amount of such Replaceable Bank's Commitment (including the same percentage of its Note, outstanding Loans and participations in Letters of Credit) plus all accrued and unpaid interest thereon. Notwithstanding anything to the contrary contained herein, in no event shall the Agent be a Replaceable Bank.

Section 11.14. Headings. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

Section 11.15. Legal Fees, Other Costs and Indemnification. The Borrower agrees to pay all reasonable costs

and expenses of the Agent in connection with the preparation and negotiation of the Credit Documents, including, without limitation, the reasonable fees and disbursements of Foley & Lardner, counsel to the Agent, in connection with the preparation and execution of the Credit Documents and any amendment, waiver or consent related hereto, whether or not the transactions contemplated herein are consummated. The Borrower further agrees to indemnify each Bank, the Agent, and their respective directors, agents, officers and employees, against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor, whether or not the indemnified Person is a party thereto) which any of them may incur or reasonably pay arising out of or relating to any Credit Document or any of the transactions contemplated thereby or the direct or indirect application or proposed application of the proceeds of any Loan or Letter of Credit, other than those which arise from the gross negligence or willful misconduct of the party claiming indemnification. The Borrower, upon demand by the Agent or a Bank at any time, shall reimburse the Agent or Bank for any reasonable legal or other expenses incurred in connection with investigating or defending against any of the foregoing except if the same is directly due to the gross negligence or willful misconduct of the party to be indemnified.

Section 11.16. Entire Agreement. The Credit Documents constitute the entire understanding of the parties thereto with respect to the subject matter thereof and any prior or contemporaneous agreements, whether written or oral, with respect thereto are superseded thereby.

Section 11.17. Construction. The parties hereto acknowledge and agree that neither this Agreement nor the other Credit Documents shall be construed more favorably in favor of one than the other based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation of this Agreement and the other Credit Documents.

Section 11.18. Governing Law. This Agreement and the other Credit Documents, and the rights and duties of the parties hereto, shall be construed and determined in accordance with the internal laws of the State of New York.

Section 11.19. Submission to Jurisdiction; Waiver of Jury Trial. THE BORROWER HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN THE CITY OF NEW YORK FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. THE BORROWER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY.

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed and delivered in Chicago, Illinois by their duly authorized officers as of the day and year first above written.

NRG ENERGY, INC.

By: /s/ LEE R. CARLSON

Name: Lee R. Carlson

Title: Treasurer

Commitment $25,000,000

ABN AMRO BANK N.V., in its individual capacity as a Bank and as Agent

By: /s/ DAVID B. BRYANT

Name: David B. Bryant

Title: Vice President

By: /s/ KEVIN S. MCFADDEN

Name: Kevin S. McFaddden

Title: Vice President

Lending Offices:
Base Rate Loans:
135 South LaSalle Street
Suite 625
Chicago, Illinois 60674-9135
Attn.: Loan Administration

Eurocurrency Loans:
135 South LaSalle Street Suite 625
Chicago, Illinois 60674-9135
Attn.: Loan Administration

EXHIBIT 12.1

NRG ENERGY, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(IN THOUSANDS)

	FOR THE YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1992	1993	1994	1995	1996	1996	1997
Income (loss) before income taxes .	$(5,307)	$4,528	$ 32,010	$ 40,011	$ 14,323	$ 856	$ 4,881
Undistributed equity in operating earnings of unconsolidated affiliates	(633)	(874)	(18,511)	(20,074)	(17,827)	(4,491)	(6,713)
Equity in gain from project termination settlements	--	--	--	(29,850)	--	--	--
Cash distributions from project termination settlements	--	--	--	14,179	15,671	15,671	--
	(5,940)	3,654	13,499	4,266	12,167	12,036	(1,832)
Interest expense	1,622	2,679	6,682	7,089	15,430	3,225	4,063
Interest capitalized	--	--	45	253	364	100	125
Amortization of debt issuance costs	44	41	42	41	149	44	75
Reasonable approximation of the interest factor of rental expense	33	50	59	265	247	88	62
Total fixed charges	1,699	2,770	6,828	7,648	16,190	3,457	4,325
Earnings	$(4,241)	$6,424	$ 20,327	$ 11,914	$ 28,357	$15,493	$ 2,493
Ratio of earnings to fixed charges (C)(D)	(A)	2.32	2.98	1.56	1.75	4.48	(B)

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(A) Due primarily to the loss incurred in 1992, NRG was unable to fully cover fixed charges. Earnings did not cover fixed charges by $5,940.

(B) Due primarily to undistributed equity earnings exceeding income before income taxes, NRG was unable to fully cover fixed charges. Earnings did not cover fixed charges by $1,832.

(C) The 1995 ratio of earnings to fixed charges calculation includes the effect of an equity gain and cash distribution from a project termination settlement. If the project termination had not occurred, NRG would have been unable to fully cover fixed charges and earnings would not have covered fixed charges by $9,913.

(D) The 1996 ratio of earnings to fixed charges calculation includes the effect of a cash distribution from a 1995 project termination settlement. If the project termination had not occurred, NRG would have been unable to fully cover fixed charges and earnings would not have covered fixed charges by $3,504 for 1996 and by $3,635 for the three months ended March 31, 1996.

NRG SUBSIDIARIES

SUBSIDIARY	State Formation
NRG ENERGY, INC.	DELAWARE
Ardaric Pty Limited	Australia
Ashputtel Pty Limited	Australia
Bioconversion Partners, L.P.	California
Cadillac Renewable Energy LLC	Delaware
Center SynCoal Partnership, L.P.	Delaware
Cobee Holdings Inc.	Delaware
Collinsville Operations Pty Ltd	Australia
Collinsville Power Joint Venture (unincorporated)	Australia
Compania Boliviana de Energia Electrica S.A.	Nova Scotia
Coniti Holding B.V.	Netherlands
Cypress Energy Partners, Limited Partnership	Delaware
ECK Generating, s.r.o.	Czech Republic
Elk River Resource Recovery, Inc.	Minnesota
Energeticke Centrum Kladno, s.r.o.	Czech Republic
Energy Developments Limited	Australia
Enfield Energy Centre Limited	England
Fresh Kills Cogen Inc.	Delaware
Gladstone Power Station Joint Venture (unincorporated)	Australia
Graystone Corporation	Minnesota
Gunwale B.V.	Netherlands
Horizon Energy Partnership	Australia
Horizon Energy Management Pty Ltd	Australia
Horizon Energy Projects Pty Ltd	Australia
Hunneric Pty Limited	Australia
Interenergy Limited	Ireland
Jackson Valley Energy Partners, L.P.	California
Kiksis B.V.	Netherlands
Kissimee Power Partners, Limited Partnership	Delaware
Kladno Power (No. 1) B.V.	Netherlands
Kladno Power (No. 2) B.V.	Netherlands
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany
Kraftwerk Schkopau GbR	Germany
Lambique Beheer B.V.	Netherlands
Le Paz Incorporated	Minnesota
Louisiana Energy Services, L.P.	Delaware

SUBSIDIARY	State Formation
Louisiana Generating LLC	Delaware
MIBRAG B.V.	Netherlands
Matra Powerplant Holding B.V.	Netherlands
Minnesota Farm Company, L.L.C.	Delaware
Minnesota Waste Processing Company, L.L.C.	Delaware
Mitteldeutsche Braunkohlengesellschaft mbH (MIBRAG mbH)	Germany
NEO Corporation	Minnesota
NRG Australia, Ltd.	Delaware
NRG Cadillac Inc.	Delaware
NRG Collinsville Operating Services Pty Ltd	Australia
NRG del Coronado Inc.	Delaware
NRG Energeticky Provoz s.r.o.	Czech Republic
NRG Energy CZ, s.r.o.	Czech Republic
NRG Energy Center, Inc.	Minnesota

d/b/a Minneapolis Energy Center	
NRG Energy Development GmbH	Germany
NRG Energy Jackson Valley I, Inc.	California
NRG Energy Jackson Valley II, Inc.	California
NRG Energy Ltd.	England
NRG Generating (U.S.) Inc.	Delaware
NRG Gladstone Operating Services Pty Ltd	Australia
NRG Gladstone Superannuation Pty Ltd	Australia
NRG Hartford, Inc.	Delaware
NRG Hazleton Inc.	Delaware
NRG Hazleton II Inc.	Delaware
NRG International, Inc.	Delaware
NRG (Morris) Cogen, LLC	Delaware
NRG Morris Inc.	Delaware
NRG Operating Services, Inc.	Delaware
NRG Parlin Inc.	Delaware
NRG San Diego Inc.	Delaware
NRG Services Corporation	Delaware
NRG Sunnyside Inc.	Delaware
NRG Sunnyside Operations GP Inc.	Delaware
NRG Sunnyside Operations LP Inc.	Delaware
NRGenerating Holdings (No. 1) B.V.	Netherlands
NRGenerating Holdings (No. 3) B.V.	Netherlands
NRGenerating Holdings (No. 4) B.V.	Netherlands
NRGenerating Holdings (No. 5) B.V.	Netherlands
NRGenerating Holdings (No. 6) B.V.	Netherlands
NRGenerating Holdings (No. 7) B.V.	Netherlands
NRGenerating Holdings (No. 8) B.V.	Netherlands
NRGenerating Holdings (No. 9) B.V.	Netherlands
NRGenerating Holdings (No. 10) B.V.	Netherlands

SUBSIDIARY	State Formation
NRGenerating Holdings (No. 11) B.V.	Netherlands
NRGenerating International B.V.	Netherlands
NRGenerating Rupali B.V.	Netherlands
New Roads Generating LLC	Delaware
Norstar Energy Operations, L.L.C.	Delaware
Norstar Power Company, L.L.C.	Delaware
North American Thermal Systems Limited Liability Company	Ohio
O'Brien California Cogen Limited	California
O'Brien Cogeneration, Inc. II	Delaware
Okeechobee Power I, Inc.	Delaware
Okeechobee Power II, Inc.	Delaware
Okeechobee Power III, Inc.	Delaware
Oklahoma Loan Acquisition Corporation	Delaware
P.T. Dayalistrik Pratama	Indonesia
Pittsburgh Thermal, Limited Partnership	Delaware
Powder River SynCoal Partnership, L.P.	Delaware
Power Operations, Inc.	Delaware
RSD Power Partners, L.P.	
Rosebud SynCoal Partnership	Colorado
Saale Energie GmbH	Germany
Saale Energie Services GmbH	Germany
Sachsen Holding B.V.	Netherlands
San Francisco Thermal, Limited Partnership	Delaware
San Joaquin Valley Energy I, Inc.	California
San Joaquin Valley Energy IV, Inc.	California
San Joaquin Valley Energy Partners I, L.P.	California
San Joaquin Valley Energy Partners IV, L.P.	California
Scoria Incorporated	Minnesota
Scudder Latin American Power I-C L.D.C.	Cayman Islands, British West Indies
Scudder Latin American Power I-P L.D.C.	Cayman Islands, British West Indies
Sunnyside Cogeneration Associates	Utah
Sunnyside Operations Associates L.P.	Delaware
Sunshine State Power B.V.	Netherlands
Sunshine State Power (No. 2) B.V.	Netherlands
Tosli Investments B.V.	Netherlands

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-1 of our report dated April 8, 1997 relating to the financial statements of NRG Energy, Inc. for the two years ended December 31 1996, which appears in such Prospectus. We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ PRICE WATERHOUSE LLP
Price Waterhouse LLP
Minneapolis, Minnesota
August 11, 1997

EXHIBIT 23.2

INDEPENDENT AUDITOR'S CONSENT

We consent to the use in this Registration Statement of NRG Energy, Inc. on Form S-1 of our report dated March 24, 1995, appearing in the Prospectus, which is a part of this Registration Statement, and to the references to us under the heading "Experts" in such Prospectus.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
August 11, 1997

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

____CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b) (2)

NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION
(Exact name of trustee as specified in its charter)

A U.S. NATIONAL BANKING ASSOCIATION (Jurisdiction of incorporation or organization if not a U.S. national bank)	41-1592157 (I.R.S. Employer Identification No.)
SIXTH STREET AND MARQUETTE AVENUE Minneapolis, Minnesota (Address of principal executive offices)	55479 (Zip code)

Stanley S. Stroup, General Counsel
NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
(612) 667-1234
(Agent for Service)

NRG ENERGY, INC.
(Exact name of obligor as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	41-1724239 (I.R.S. Employer Identification No.)
1221 NICOLLET MALL, SUITE 700 MINNEAPOLIS, MINNESOTA (Address of principal executive offices)	55403 (Zip code)

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7 1/2% SENIOR NOTES DUE 2007
(Title of the indenture securities)

Item 1. General Information. Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Comptroller of the Currency
Treasury Department
Washington, D.C.

Federal Deposit Insurance Corporation
Washington, D.C.

The Board of Governors of the Federal Reserve System
Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

The trustee is authorized to exercise corporate trust powers.

Item 2. Affiliations with Obligor. If the obligor is an affiliate of the trustee, describe each such affiliation.

None with respect to the trustee.

No responses are included for Items 3-14 of this Form T-1 because the obligor is not in default as provided under Item 13.

Item 15. Foreign Trustee. Not applicable.

Item 16. List of Exhibits. List below all exhibits filed as a part of this Statement of Eligibility. Norwest Bank incorporates by reference into this Form T-1 the exhibits attached hereto.

Exhibit 1. a. A copy of the Articles of Association of the trustee now in effect.*

Exhibit 2. a. A copy of the certificate of authority of the trustee to commence business issued June 28, 1872, by the Comptroller of the Currency to The Northwestern National Bank of Minneapolis.*

b. A copy of the certificate of the Comptroller of the Currency dated January 2, 1934, approving the consolidation of The Northwestern National Bank of Minneapolis and The Minnesota Loan and Trust Company of Minneapolis, with the surviving entity being titled Northwestern National Bank and Trust Company of Minneapolis.*

c. A copy of the certificate of the Acting Comptroller of the Currency dated January 12, 1943, as to change of corporate title of Northwestern National Bank and Trust Company of Minneapolis to Northwestern National Bank of Minneapolis.*

d. A copy of the letter dated May 12, 1983 from the Regional Counsel, Comptroller of the Currency, acknowledging receipt of notice of name change effective May 1, 1983 from Northwestern National Bank of Minneapolis to Norwest Bank Minneapolis,

National Association.*

e. A copy of the letter dated January 4, 1988 from the Administrator of National Banks for the Comptroller of the Currency certifying approval of consolidation and merger effective January 1, 1988 of Norwest Bank Minneapolis, National Association with various other banks under the title of "Norwest Bank Minnesota, National Association."*

Exhibit 3. A copy of the authorization of the trustee to exercise corporate trust powers issued January 2, 1934, by the Federal Reserve Board.*

Exhibit 4. Copy of By-laws of the trustee as now in effect.*

Exhibit 5. Not applicable.

Exhibit 6. The consent of the trustee required by Section 321(b) of the Act.

Exhibit 7. A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.**

Exhibit 8. Not applicable.

Exhibit 9. Not applicable.

* Incorporated by reference to exhibit number 25 filed with registration statement number 33-66026.

** Incorporated by reference to exhibit number 25 filed with registration statement number 333-7575.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Norwest Bank Minnesota, National Association, a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of

Minneapolis and State of Minnesota on the 1st day of August, 1997.

NORWEST BANK MINNESOTA,
NATIONAL ASSOCIATION

/s/ CURTIS D. SCHWEGMAN

Curtis D. Schwegman
Assistant Vice President

EXHIBIT 6

August 1, 1997

Securities and Exchange Commission
Washington, D.C. 20549

Gentlemen:

In accordance with Section 321(b) of the Trust Indenture Act of 1939, as amended, the undersigned hereby consents that reports of examination of the undersigned made by Federal, State, Territorial, or District authorities authorized to make such examination may be furnished by such authorities to the Securities and Exchange Commission upon its request therefor.

Very truly yours,

NORWEST BANK MINNESOTA,
NATIONAL ASSOCIATION

/s/ CURTIS D. SCHWEGMAN

Curtis D. Schwegman
Assistant Vice President